Management

METHODS

OBER 193



Lewis of Hawaiian Airlines— How to overhaul a sputtering business

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M.W. Kellogg Company chose Toyal seating for lasting comfort, impressive appearance

When the world-renowned engineering and construction firm, The M. W. Kellogg Company, singles out *Royal* seating for use throughout their New York world headquarters offices, you know there must be good reason. There is...for *Royal* furniture is correctly designed and carefully made to provide maximum comfort for the longest possible time. It is hand-

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MANAGEMENT MAGAZINES, INC.

22 West Putnam Avenue, Greenwich, Connecticut . TOwnsend 9-8585

Richard R. Conarroe

Dear Reader:

If you've noticed a "newness" in Management Methods lately, here's why:

Changes have been made that are designed to make the magazine easier for you to read and to use.

Changes like these:

A new "Workshop for Management," which has already become one of our best read features.

A new, easier-to-read typeface for article titles.

Newly designed headings for all departments.

Perforated pages for some features so they can be pulled out for easy routing or filing.

Larger page numbers . . . more new product announcements . . . and a number of other refinements.

One thing about Management Methods hasn't changed. That is our purpose. It will always be our single purpose to provide practical, "how-to" information for the top level business administrator -- ideas and examples you can use right now to improve methods, cut costs, build profits, and make your company easier to manage.

. . .

Will you do us a favor? We'd like to know how we're doing from your point of view. On the back of this page is a brief questionnaire designed to tell us how you use this magazine. Will you take a moment to check your answers, then tear out this sheet, and mail it to me? Thanks in advance.

Cordially yours

R. R. Coranos

RRC:jpm

SOME THINGS THE EDITOR WOULD LIKE TO KNOW . . .

	Which articles in this issue are of particular interest or help to you? Please check one or more. Which single article in this issue is of least interest to you? Please "cross it out" on the list at right.	Cost of fringe benefits -pg 32 Workshop for Management -pg 39 How to overhaul a business -pg 42 Gradual automation -pg 51 Summer selling -pg 55 Selling with a telephone -pg 57 Scientific decision-making -pg 70 When the team won't work -pg 72 Office at \$3.65 a sq. ftpg 79 Using a real estate broker -pg 84
3.	How often do you "clip" material from this magazine?	frequently cccasionally seldom never
4.	How do you dispose of this magazine after reading it? Please check off what happens to your copy.	☐ Throw away ☐ File for future reference ☐ Route to company library ☐ Route to top executives ☐ Route to middle managers ☐ Route to others. Whom?
5.	Comments on editorial content:	PLEASE CHECK THESE QUESTIONS My title is: President or Chairman Executive Vice President Vice President Department Manager
		Other
		over 5,000 employees 1,000 to 5,000 employees 500 to 1,000 employees 100 to 500 employees less than 100 employees

Please return this questionnaire to:

R. R. Conarroe, Editor Management Methods Magazine 22 West Putnam Avenue Greenwich, Connecticut

Cost Cutting in Your Office...

Cost reduction, a vital problem in all divisions of a business is nowhere as challenging as in the administrative departments. Office costs, having trebled during the past decade, are today of primary concern to top management.

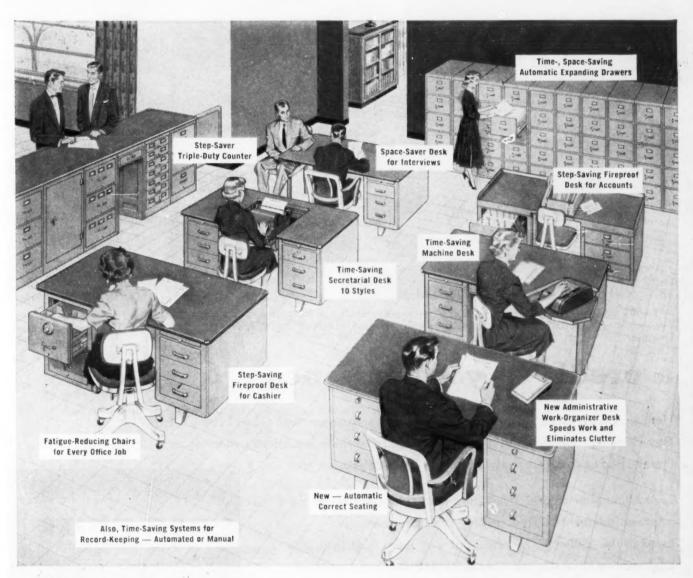
It is in the record that since 1899 Shaw-Walker has been equipping business with "time-engineered" office facilities as inventive and ingenious as American production techniques, - that Shaw-Walker equipment and systems have cut office costs, saved floor space and made offices more livable.

For today's cost-conscious management Shaw-Walker "time-engineering" research has now produced — The work-organizer "clutter-proof" desk;

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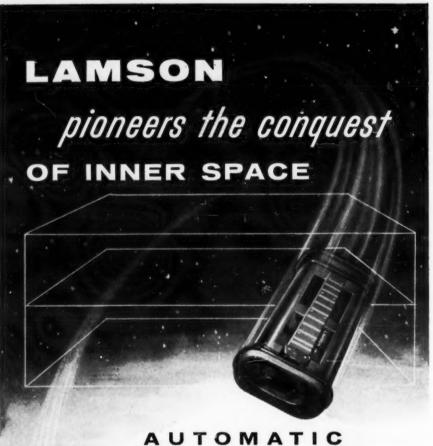


Management

Volume 15

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Management

22 West Putnam Ave., Greenwich, Conn.

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President William S. Kline

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Chicago 612 North Michigan Avenue, Del 7-0112 Western Division Manager: William S. Hutchings —Alfred A. Spelbrink—John Hynes

Los Angeles The Robert W. Walker Co., 730 South Western Avenue, Dunkirk 7-4388

San Francisco The Robert W. Walker Co., 57 Post Street, Sutter 1-5568

Houston Ralph Runnels, 5210 Morningside Drive, Jackson 4-6633

A publication of MANAGEMENT MAGAZINES, Inc.

22 West Putnam Avenue, Greenwich, Conn. Townsend 9-8585

President and Treasurer, W. S. Kline; Vice President, J. W. Harris; Vice President, A. J. Kaiser; Secretary, E. D. Kline

Member of Business **Publications Audit**

Management Methods is indexed In the Business Periodicals Index

SUBSCRIPTIONS: In United States and Possessions, one year \$5.00. Canada, one year \$6.00. Foreign subscriptions \$10.00. Single copies \$.75. When possible, back issues or tearsheets of articles will be provided. Enclose \$1 for each back issue and \$.50 for each back article requested, to cover costs of handling.

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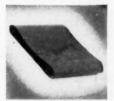
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In a low-cost unit that any typist can learn to use in minutes, IBM brings you the 632 Electronic Typing Calculator—the high-speed solution to office operations, such as billing, that require both typing and calculating.

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Whether your company is large or small, find out now just how the IBM 632 can help cut costs and build profits. Call your local IBM representative today.



virtually all manual instructions. For a different ap-

Available without Punched Card Output, the IBM 632 consists of the electronic calculating unit, the electric typewriter, and the ten-key companion keyboard for inserting numerical data.



its leadership with its one millionth electric typewriter.

The Cost Crisis

Costs, rather than demand,
determine today's prices—and profits.

If you're a medium-sized manufacturer,
here's a way to improve your cost picture from within

Today, economists are confirming what many businessmen have long suspected. Prices, they say, no longer rise and fall with the demand for a product. Instead, they're solidly tied to a company's costs — the generally rising, almost inflexible costs of labor, raw materials, sales.

Who suffers from the change? Not the larger corporations. They're the ones who *set* the prices — set them on their own more workable cost structures. It's the small and medium-sized manufacturer who feels it most. For one thing, he hasn't the capacity, or the cash, to buy in volume. For another, his very size limits the latitude of his operations . . . allows but little room to absorb today's added costs and still protect his smaller profit margin.

Caught in this dilemna, many businessmen are searching for a way to improve their cost picture and to hold, or increase, their profits. What's needed, they agree, is a system of modern management control. But how do you get it without undue cost and complexity?

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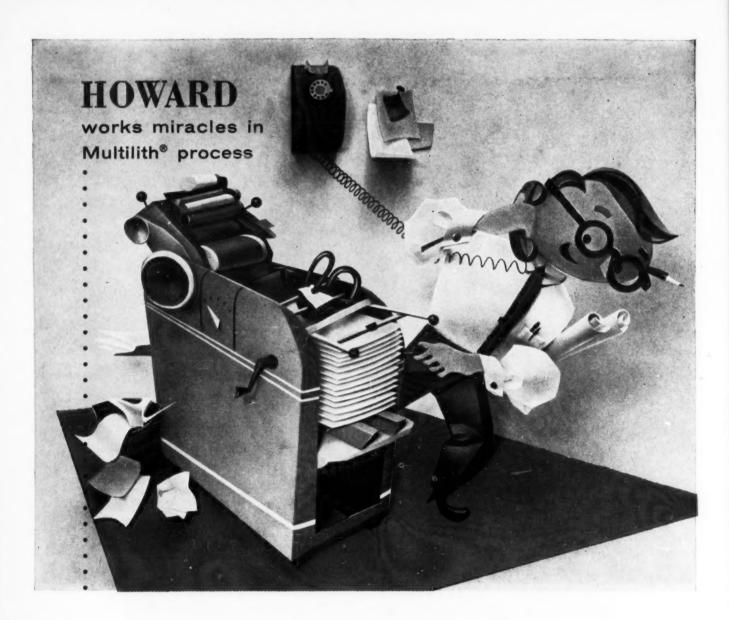
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(Circle number 157 for more information)



John F. Nash, Vice President-Operation, New York Central System

"Moore forms help us locate freight automatically"

AUTOMATED CAR REPORTING GIVES NEW YORK CENTRAL 24-HOUR CONTROL OF ROLLING STOCK

New York Central recently introduced an electronic Car Reporting System, a specially designed network utilizing 350 Teletype machines that links 67 Central freight yards with information service bureaus at New York, Cleveland, Indianapolis and Detroit. The system provides accurate, complete information on some 52,000 cars-within minutes. This improves freight yard efficiency, speeds train operation and gives shippers valuable delivery information.

As a train enters a strategic Central freight yard, a card with content, destination and traffic information is punched for each car, then fed into an IBM card-to-tape machine which produces a tape. This information is transmitted, by tape, to the service bureaus, retransmitted automatically to interested freight yards. There the tape is automatically reproduced, converted into cards in train sequence. These

are changed as cars are added or removed from the train. A new tape is made, then sent on the network again. Each transmission prints a 'consist' of the train on a Moore Speediflo. It is the road's control in print.

The Moore man helped with scientific design and manufacture of the multi-part Speediflo and other forms used in this Automated Data Processing system. If you would like examples how Moore helped improve other systems write on your Company letterhead to the Moore office nearest you.



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Unusual recruitment aid

Here's an effective manpower recruitment idea.

A "College Map" of the U. S. shows the 253 colleges and universities from which General Aniline & Film Corp. has drawn its current employees.

The unique piece has proved to be a successful recruitment aid, according to its creator, Gregory F. Coleman, because graduates tend to favor a firm with old school ties.

The map spots the location of the colleges representing 960 degree-holders from 48 states and the District of Columbia. Each graduate is listed with degree received, year awarded and the Aniline plant or branch where he now works. Etchings of American college buildings and the company's principal plants illustrate the folder.

For a free copy of the "College Map," circle number 290 on the Reader Service Card.

Up-to-date postal rate guide

A handy postal rate guide in wall chart form has been prepared by Pitney-Bowes, Inc. It includes complete information on all classes of mail, special handling, insurance and foreign mail rates.

A parcel post zone map and rate chart make it easy to determine postage required for packages sent to any point in the United States.

For this free postal rate guide, circle number 301 on the Reader Service Card.

Visualization aid

Step-by-stop directions for making office and plant layouts and organization and flow charts are given in a booklet called "Visualization Made Easier."

It illustrates in color 435 tapes and templates, available from Chart-Pak, Inc., for making graphs, printed circuit drawings, map overlays, slides and other presentations. Among new

items listed are transparent colored tapes, and tapes as narrow as 1/94th of an inch.

For this free 32-page booklet, circle number 280 on the Reader Service Card.

All about duplicators

How to make a good impression with duplicators is explained in a 34page catalog just published by The Heyer Corp. Methods covered include stencil, spirit and gelatin duplicating.

Conveniently indexed for ready reference, the piece illustrates new and improved equipment and supplies to make professional copy preparation

For this free catalog, circle number 296 on the Reader Service Card.

Data processor applications

Application data sheets for its data processor are featured in literature prepared by Taller & Cooper, Inc. Procedures detailed and diagrammed include inventory and stock control payroll and time reporting, production control and other operations. The sheets show how this data processor cuts tab card file space and increases data handling productivity for these procedures.

For a set of these free data sheets, write to Taller & Cooper, Inc., 75 Front St., Brooklyn 1, N. Y.

Reserve seating

"How a Chicago Executive Office Provides Reserve Seats for Visitors and Employees" is a new six-page folder by Clarin Manufacturing Co.

Via text and pictures, the piece exhibits folding chairs doing duty in a continuous round of sales meetings, training classes, sessions with visiting VIPs—even coffee breaks. A floor plan shows where chairs are stored and how they serve various areas.

For this free folder, circle number 275 on the Reader Service Card.

Record marking perforator

A six-page folder by Cummins-Chicago Corp. details the advantages of using perforating machines for paper marking procedures. Inscriptions, easily interchanged, can be punched on as many as 20 pages simultaneously.

Besides saving time and stopping errors, the piece points out that no one can erase a hole.

Capsule case histories highlight the actual benefits gained by 21 users of Cummins perforators.

For a free folder, circle number 279 on the Reader Service Card.

State of business checklists

"Improving Business" is an eightpage pamphlet put out by E. Norman Kagan Co. There are charts on optimum yearly sales per employee, and productivity per square foot for different industries.

A checklist on danger signals itemizes early signs of backsliding, and a table shows average inventory turnover rates for representative business-

For this free pamphlet, write to E. Norman Kagan Co., Empire State Bldg., New York 1.

How to cut office costs

In a new booklet, Manpower, Inc. has reviewed the various areas of office operation where improvements and savings can be effected. Written in checklist form, it presents "100 Ways to Improve Efficiency—Save Money in Your Office."

Pointers are given for proper planning of office work, budgets, physical layout, storage, forms, selection and promotion of employees, training of employees and supervisors, office equipment, mail department, telephone service, filing and record retention and other office methods.

For this free 12-page booklet, circle number 281 on the Reader Service Card.

HOW

GEORGIA TAILORS PROGRESS IN **EDUCATION**

TO SERVE BUSINESS AND INDUSTRY



"In Georgia we believe that a sound, well rounded program of education is essential to the continued cultural and economic progress of our state. For this reason we are committed to the development of an educational system that can meet any challenge . . . that will be second to none in the quality and quantity of the training and services it offers . . . "

Marin Q

Marvin Griffin Governor State of Georgia Interviews with Georgia's governor, top educators, business leaders reveal a host of educational programs and projects directly aimed to aid the state's growing business and industrial communities.

"Georgia is making such progress in its schools that if it keeps up at the same rate for another ten years, the state may lead the nation in education. It will be hard to find another state that does a better job of educating its young people."

Dr. John E. Dobbin, Educational Testing Service, Princeton, N. J., in an address to Georgia school principals at their July, 1958, conference in Athens, Georgia.

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In the thirteen years since the close of World War II the State of Georgia has received nation-wide recognition for its phenomenal economic growth. Industry has moved into Georgia at such a rate that the state is

now the unquestioned industrial hub of the Southeast. In fact, recent Federal statistics show that with the exception of Texas and California, Georgia has outstripped every other state in locating new industry.

Basic reasons for this exceptional expansion are readily apparent. Georgia is the geographic and distribution center of the Southeast. She has an abundant labor supply, adequate electric power and water, a good climate, excellent living conditions, an equitable tax structure, a just and fair "right-to-work" law, and a wide choice of strategically located, roomy plant sites. These are the more obvious, well known attractions Georgia has for industry.

Until recently this list of attractions probably seldom, if ever, included Georgia's educational facilities. Now, however, Georgia's planned progress in education has suddenly become one of her major assets. How did this come about? What is Georgia doing in education, and how are her educational facilities of benefit to industries and businesses? To answer these questions, extensive interviews were conducted with eight of Georgia's top officials, education and business leaders. Following are highlights from these interviews. They offer a compelling glimpse at the way one state is radically redesigning its educational system specifically to meet the present and future needs of increasing industrialization.



Marvin Griffin Governor, State of Georgia



Dr. O. C. Aderhold President, University of Georgia, Athens



Robert Lynch Chairman of the Board, Atlantic Steel, Atlanta



Dr. E. D. Harrison President, Georgia Institute of Technology, Atlanta



Otis Rae District, Manager, Westinghouse Electric Company, Atlanta



Dr. Noah Langdale, Jr.
President, Georgia State College
of Business Administration,
Atlanta



Dr. S. Walter Martin President, Emory University, Atlanta

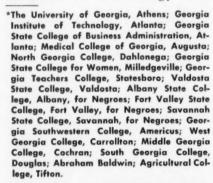


Scott Candler
Secretary, Georgia Department
of Commerce

Q. As general background information, what could we say comprises Georgia's present day educational facilities—particularly at the college level?

Gov. GRIFFIN: Well, naturally, the base of our entire educational system is the primary and secondary schools in the state. There are literally hundreds of them . . . all supported by both local and state funds.

The University System of Georgia is composed of some 16* institutions. Chief of these, of course, are the University of Georgia in Athens, the Medical School in Augusta, the Georgia Institute of Technology and



**And Wesleyan College; LaGrange; Tift; Brenau; Shorter; Columbia Theological Seminary; Piedmont and Berry Colleges.



Business seminar at Emory University

the Georgia State College of Business Administration in Atlanta. Then, located uniformly throughout the state are the 12 others. The reason for this decentralization is so that any young man or woman who for some reason cannot attend one of the larger schools may still have an opportunity to go to college near home.

In addition Georgia has a number of privately supported colleges and universities: Emory University, which ranks among the top 25 in endowment in the nation; Mercer University; Oglethorpe University; Agnes Scott College for women.** Georgia, or I should say Atlanta, is also the center of higher education for Negroes in the entire country.

The extent of these facilities, however, is not as significant as what we are doing with them. To illustrate this, let's talk money. Ten years ago our budget for the common schools was \$41 million. Today it is \$130 million. Ten years ago the outlay for the University System was only \$4 million. Today it is \$25 million. Our construction appropriation for new school buildings in the past few years was some \$300 million dollars. And this is only the money the state has spent. Similar sums have also been spent by local governments and by the privately supported institutions.

Q. What brought about this surge of expansion in education? How did it begin?

DR. ADERHOLD (U. of Georgia President): In 1945-46-47 we conducted in this state a series of studies to determine the needs of our schools at all levels. Then we took the findings to the people of the state. We showed them what we had. Then we asked them such questions as, "What kind of teachers do you want? What kind of buildings do you want?" The result was the enactment in 1950 of the



Studying plant layout at Southern Tech

Minimum Foundation Program for education which called for a 100% increase in the amount of money spent in Georgia for education.

Q. Where did the money come from to finance this enormous increase in the state's budget for education?

DR. ADERHOLD: We imposed on ourselves a 3% sales tax which did and still does provide the major source of funds for education in Georgia.

Q. You mean the people of Georgia voluntarily and without great opposition went out and asked for a new tax levy?

Dr. Aderhold: Yes, I would say that the reason the Foundation Program was approved by the General Assembly—perhaps the only case in the country where a school system was completely overhauled with almost unanimous approval by a legislature - was entirely due to the people of the state. They had studied the needs of education in the state and had come to realize the importance of education in our economic and social development. Consequently, every member of the General Assembly knew he had the backing and support of the masses of people in his county and community.

Q. We hear a lot about teachers' salaries. What is Georgia doing in this area to attract and keep good teachers?

Gov. GRIFFIN: This is an acute problem every state is facing right now. Here in Georgia, though, we have managed to increase teachers' salaries every year with across-the-board raises. During the past four years these increases have amounted to from \$600 to \$700 per teacher.

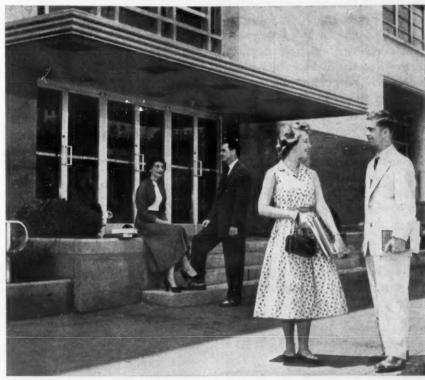
Dr. Harrison (Georgia Tech President): Two years ago the Georgia Tech Foundation and the National Alumni Association began a salary supplementation program for members of the faculty. \$75,000 was used in this program the first year. Over \$125,000 has been budgeted for the program this year. Tech's alumni have within these two years raised over \$500,000 for the program and for other contingencies not covered by state funds. Over 40% of our alumni have contributed to this fund-a record for alumni contributions to a state supported school. In addition in the past two years over 250 corporations have helped in this program.

Q. Now, let's get more specific. How is Georgia's expanding educational system of direct benefit to business and industry? What are you doing, for instance, in science?

Gov. GRIFFIN: We have begun in Georgia a tremendously ambitious program to expand our scientific research and educational facilities. At Georgia Tech we are building a radioisotopes laboratory and will soon begin construction of a nuclear reactor. The latter is being designed not only as an educational tool but as a facility to serve this region's industrial, agricultural, and medical communities. At the University of Georgia we have under construction a mammoth new \$12,500,000 Science Center—six buildings all devoted to the sciences: chemistry, physics, biology, and so on.

Q. Can you give me an example of the way such facilities might serve an industry?

DR. ADERHOLD: Well, take the poultry industry we have in this state. Today it is a \$206 million industry—the largest agricultural industry we have. Not long ago Governor Griffin allocated \$400,000 to the University for a poultry disease research center. The whole facility does nothing but research in the diseases of poultry. Last winter the poultry regions in this state were attacked by an unknown disease. Our research center went to work and put its finger



Georgia State College of Business Administration—nation's fifth largest business school

on the disease in less than three weeks. Had we not had such a facility, our entire poultry industry would have suffered a disastrous setback.

Q. We are now moving into the area of scientific research. Can you give me some more examples of the kind of research you are doing?

Dr. Harrison: An important unit operated by Georgia Tech is its Engineering Experiment Station, largest engineering and industrial research organization in the South. Last year this unit spent over \$2.5 million to aid both government and industry through a program of fundamental and applied research. Among the projects being carried out by this unit are such diverse items as the development of ceramic nose cones for rockets and missiles, electronic computors for national defense, and peanut sorters and planters for the peanut industry in our state.

DR. MARTIN (President, Emory U.): Emory University has a sizeable number of facilities devoted to the basic sciences. Generally, these are supporting arms of our Medical, Dental and Nursing Schools. In themselves, however, our science departments have achieved individual recognition for the quality and scope of their work. Both our Chemistry and Biology departments are accredited to give Ph.Ds. As for research, we continually conduct programs in both basic and applied research. One of our current projects in Biology is the study of radiation effects on plants and animals. This project is connected with the development of atom-powered aircraft and is being financed through Lockheed Aircraft Corporation.

Q. I believe this gives us a pretty good idea of what the schools here are doing in science. So let's move on into the area of business training. What

facilities do you have for training students in business and management skills?

DR. LANGDALE (President Georgia State College): The Georgia State College of Business Administration here in Atlanta is the fifth largest school of its type in the country. As our name implies, we have been primarily a business school, though we do grant degrees in the Arts and Sciences. Most of our people, however, are working toward the Bachelor's degree in Business Administration. For those who want to continue study we offer a Master's degree program in Business Administration. We have a full time faculty of some 160 and a part time faculty of 62. Among these we have 89 Ph.Ds, 35 of whom have their doctorates in the field of business. Our areas of business specialization include such subjects as transportation, banking, economics, accounting, real estate, business law, insurance and so on. We have an enrollment of over 5,000 in our day and night classes.

DR. ADERHOLD: The School of Business Administration at the University of Georgia is the second largest unit in our operation. About 1,300 people I would say. We have a faculty of over 30, and we graduate some 250 to 300 students each year.

Q. What about research in business problems? Do you do any of that?

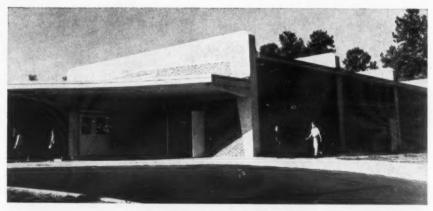
DR. LANGDALE: Georgia Tech and Emory have outstanding business research programs. At Georgia State we also have a very fine research unit, our Bureau of Business and Economic Research, and we always have a number of projects going.

Q. Can a firm come to you and say, "We have such and such a problem. Will you make the necessary studies to help us solve it?"

Dr. Langdale: Yes. A business firm can come to us for that purpose. We will work out a project outline and cost estimates satisfactory to both parties. Our research staff is primarily our faculty. A partial listing of the areas where they are qualified to conduct research includes cost analysis, industrial relations, personnel administration, industrial psychology, marketing, production and materials control. Among our current projects are such studies as the effects of expressway-building on adjacent land values; the effects of building highway bypasses around small towns; and determining the proper size of an advertising budget for commercial banks.

Q. Do any of your faculty members make themselves available as consultants to firms and industries?

Dr. Langdale: Yes. As a rough estimate I would say that 50% of our business school faculty



Typical new elementary school in Georgia

have outside teaching, consulting, and other such projects afoot.

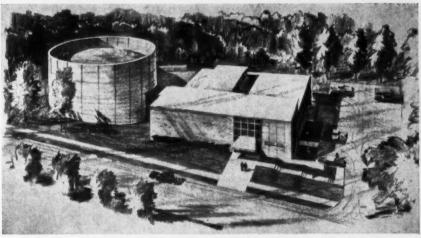
Q. What about instructions, seminars and the like for businessmen themselves?

Dr. Aderhold: We have here at the University of Georgia what we call an Adult Education Center. I believe Michigan State is the only other university in the country that has such a facility. Last year more than 50,000 came to the Center for organized study. Short courses of one day to a week to a month in length. Many of the courses are in the field of business. For example, we have a two-week course for young executives in which we take up various management problems.

DR. MARTIN: At Emory our Business School often serves as co-sponsor for personnel and management conferences as a service to business and government. Our Society for the Advancement of Management has in the past set up a number of conferences dealing with industrial development in the South. Members of our faculty also participate in short courses given by local businesses.

Q. Now let's move a little more specifically into industrial training as such. Does Georgia provide any means to help train workers for a new plant that might be moving in here?

MR. CANDLER (Georgia Secretary of Commerce): Yes, we do! Say a new plant is going to move into a town. They recruit prospective employees, and they want to train these people. The State Board of Education and the local education people will set up a training school. The State will employ some of the incoming industry's supervisory personnel to instruct the prospective employees. The equipment used is supplied by the industry. Lots of times these



Proposed nuclear reactor at Georgia Tech

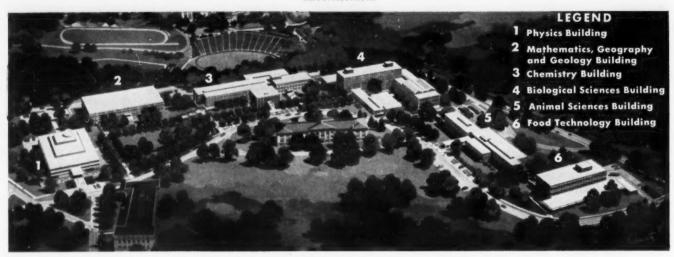
schools begin several months before the plant is ready for operation. In addition, we operate a
number of vocational schools
throughout the state. We also
have here the Southern Technical Institute, an extension of
Georgia Tech, which trains
young men to be supervisors and
specialists in plant operations.
This school, incidentally, is
planning to spend some \$2 million in the near future for a new
campus.

I would also like to touch briefly on another service we offer in helping new industry find appropriate sites. Two years ago Governor Griffin asked Georgia Tech to establish as part of its Experiment Station an Industrial Development Branch ... a facility to conduct research which would answer specific questions a prospective industry would want answered before locating in a town or city. Things like market potential for a designated product, availability of electric power, labor supply, water flow, and other pertinent scientific data. Surveys like these can be initiated through the State Department of Commerce, individual cities, and industrial development groups. Dr. Harrison tells me that the Industrial Development Branch is now one of the fastest growing research units they have over there at Tech. Last year, he said, they carried out 30 individual projects valued at over \$310,-000.

Q. What about training aids to industries already operating in the state?

Mr. Lynch (Bd. Ch. Atlantic Steel): Atlantic Steel has had for some time an operation training program for supervisors headed up by our own key people. We also draw on the faculty at Tech or Georgia State. In connection with this I would also like to say something about our participation in Georgia's cooperative student plan. Under this plan a student, say at Tech, goes to school a quarter, then works a quarter. In this way he gets both academic training and practical experience in his field. We go in with this plan because it helps us, too, in recruiting good people. And even if one of our coop students doesn't come with us when he graduates, we feel the time we invested in him has not been lost. Through him we may well attract other of his fellow students who are interested in what we have to offer. In other words a co-op student is good advertising because he goes back to his school and tells others about us.

Q. Mr. Lynch, do you believe that your close proximity to a school like Georgia Tech gives you an advantage in recruiting top people?



Science Center under construction at the University of Georgia

MR. LYNCH: There is no question about that! The young people in this area coming out of school want to stay here, and if they can find the kind of work they want, they will stay.

Q. Mr. Lynch, have you found that the universities in Georgia are turning out a high caliber supply of people with management potential for your own company?

MR. LYNCH: They not only are, but they have been. In our company about 14 of the 20 top jobs—key jobs—are held by people from Georgia Tech or the University of Georgia.

Q. Mr. Rae, will you tell us briefly how your company, Westinghouse, came to locate its new transformer plant in Athens?

MR. RAE (V.P. Westinghouse): Basically, you could say we built the plant here because of a need generated by the rapid industrial growth in the Southeast.

Q. But to carry this further. Why exactly was Athens picked for the plant?

MR. RAE: Well, by way of explanation let me elaborate a bit more on our methods in picking a new plant site. First we determine the geographical area of expansion. In this case it was the Southeast. We line up all the basic factors: availability of materials, transportation costs and facilities, market potential and the like. Then we look into the plus values that ultimately lead to a final choice. In the case of our Athens plant one of the prime factors in our locating here was the availability of the educational facilities at Georgia and at Tech in Atlanta.

Q. Then we can say that the educational facilities Georgia offered you, particularly those at the University in Athens, were a big determining factor in your building here?

MR. RAE: Yes. We were very much impressed with the vocational work, the extension or Adult Education Center, and the physics department at the University. We were also impressed with the projected Science Center there and the proposed atomic reactor at Tech. At Westinghouse we have for many years sponsored a number of educational programs for our employees, and we have encouraged them to continue their education whenever possible. The facilities at the University and at Tech will help them do that. This in turn will benefit us as a corporation as will the other services available to us.

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(Circle number 175 for more information)



Letters

A wife talks back

sin: I object to the term "president's wife" or executive wife in the article, "How your wife can back you in your job" (MM, Aug. '58). It seems to denote the executive as something quite bloodless—alarmingly robot-like. A wife can back her husband in his job by being a wife and acting like a real woman.

To me, there is too much stress on the business aspects of human relationships. Husbands and wives who have mutual respect for each other and a modicum of intelligence back each other up all the way down the line—executives or not.

The six wives interviewed present interesting points of view, but I feel the need for this type of probing is unnecessary. You can back some of the executives some of the time, etc., and that's what makes the world go 'round. Let's hope we don't get so organized in this regard that a wife with a really interesting personality must submerge herself while busily trying to back her husband according to some researcher's findings.

Mrs. Bette F. Burson (Harold Burson, President Burson-Marsteller Associates, Inc.)

For more information

SIR: I have found MANAGEMENT METHODS to be a most excellent publication in helping management improve its operations. Although your feature stories are most timely and useful, other sections are often more valuable in assisting management in decision making.

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that were seen for the first time in this section

Sometimes we would like further information on certain items. Is it possible to obtain the name of an unidentified company?

> NORMAN A. POULIN OPERATIONS RESEARCH BELDING HEMINWAY CO., INC. NEW YORK

■ In most cases, names and addresses of firms referred to in MM features or departments can be obtained by writing the editor. Occasionally, of course, a company wishes to remain anonymous. On all keved editorials or advertisements, further information can be requested by circling the corresponding number on the postagefree Reader Service Card. These are relayed to the source for reply.

FDITOR

Finds workable ideas

sir: Our accident department is one of your subscribers, and each issue is routed to the various people having administrative duties. I have found that the information in many of your articles can be applied to my job. Your "Workshop for Management" has been especially informative. . .

> TORGER A. SIQUELAND CONNECTICUT GENERAL LIFE INSURANCE CO. HARTFORD, CONN.

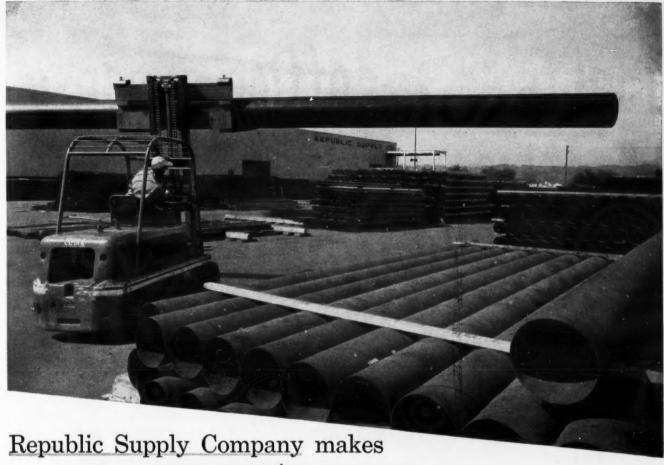
Profits-marketing investment guide

SIR: The article "How much to spend for selling" (MM, July '58) is both timely and thought provoking. The author, Eugene Mapel, certainly should be commended for his excellent presentation of a subject frequently overlooked, evaded or avoided by management.

> W. D. MCNEELY DIRECTOR OF SALES PLANNING TORO MANUFACTURING CO. MINNEAPOLIS

Many sales-minded executives have written to us commenting on the value they have received from Eugene Mapel's article. Inadvertently, one important note was omitted from the article. The method described was originally contained in a report published by the Industrial Advertising Research Institute, Princeton, N. J. This report resulted from a consulting assignment conducted by Barrington Associates for the Institute. Author Eugene Mapel is vice president of Barrington Associates.

EDITOR



"Pipe Job" of Order-Billing Paperwork!

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Tax quiz

THE QUESTION

A taxpayer receives new bond coupons in return for old, and gives them to his sister before they become due. Is the value of the coupons taxable to him or to his sister, and is it considered ordinary income or a capital gain?

The Facts-This taxpayer bought some Japanese government bonds in July, 1941. When the war began on December 7, 1941, all further payments on the bonds ceased. In 1952, the Japanese government extended the maturity date on the bonds and resumed payment on them. The taxpayer redeemed his bonds at par in 1954, receiving in addition certain back-interest coupons. These coupons, which under the 1952 plan were not yet payable, he gave to his sister.

After making the gift, the taxpayer asked the Commissioner of Internal Revenue for an advisory opinion regarding tax consequences. Specifically, he wanted to know whether the back-interest coupons were capital assets, subject only to capital gains tax, or whether they were taxable as ordinary income.

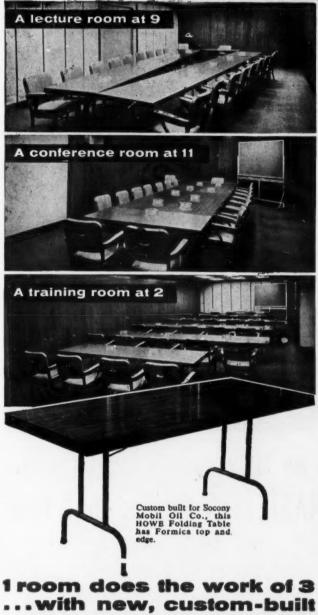
The Ruling-The Commissioner of Internal Revenue was of the opinion that the coupons were taxable to the taxpayer as ordinary income. The coupons did not represent a new obligation that was being exchanged for the bonds. Although they were new and different papers, they still represented nothing more than the interest originally due on the bonds, and interest is ordinary income.

But why was the income taxable to the taxpayer when it was actually received by his sister? The answer is that, since the bonds represented income, the taxpayer's gift of them to his sister was tantamount to an assignment of income, which is invalid tax-wise. The situation is comparable to one in which a man who earns \$50,000 a year arranges with his employer to pay \$25,000 to his sister. In such a case, even though the man had actual possession and control of only \$25,000, he must pay taxes on the full \$50,000 to which he

was originally entitled. (Revenue Ruling 58-275, June 1958.)

THE QUESTION

A taxpayer is vested with the legal title to a block of corporate preferred stock. Although he receives no real



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benefit from the redemption of the stock, is he required to pay income tax on the proceeds?

The Facts—Three men organized a corporation to operate an automobile dealership. The corporation's capitalization consisted of 19,000 shares of preferred stock and 1,000 shares of common, all at \$1 par value. Mr. A and Mr. B each purchased 500 shares of the common stock, and Mr. C bought all of the preferred, thereby giving the corporation a capitalization of \$20,000. The three men agreed that until the corporation redeemed all of the preferred stock, no dividends would be issued on the common shares owned by Mr. A and Mr. B.

When the automobile manufacturing company learned of this corporate setup, it objected, claiming that the dealership was inadequately capitalized. In an attempt to meet this objection, Mr. C was issued another 10,000 shares of preferred stock, thereby raising the corporation's capitalization to \$30,000. But the manufacturing company remained unsatisfied, and demanded that Mr. A acquire a half interest in the corporation.

To comply with these terms, Mr. A made an agreement with Mr. C, whereby C "sold" him 14,500 shares of his preferred stock in return for an interest bearing note for \$14,500. The note was made payable only out of corporate distributions and cash proceeds from redemption of the preferred stock. Thus, practically speaking, the stock never actually left Mr. C's possession; under the agreement it was pledged with him.

Soon after this transaction, the corporation redeemed its preferred stock. As soon as Mr. A was paid for "his" 14,500 shares, he turned the money over to Mr. C, thus cancelling the note. The corporation then issued common stock to Mr. A and to Mr. C, and retained its previous \$30,000 capitalization.

But who had to pay the tax on the proceeds from the redemption of Mr. A's *preferred* stock—Mr. A who merely had the legal title to it, or Mr. C who received the actual benefit?

The Ruling—The fact that Mr. A received no real benefit from the redemption of the preferred stock did not deter the court from assessing the tax upon him, nor did it influence the court's decision to sustain the assessment. The court ruled that although Mr. C never parted with the real ownership of the stock, his agreement with Mr. A served to vest A with legal title to the stock. When the stock was redeemed, A had legal title to the redemption proceeds, and therefore became legally responsible for any income tax due on those proceeds.

Furthermore, the court stated, where a redemption of stock results in a decrease in a corporation's capitalization, the redemption proceeds may be considered a return of capital, and may not be taxable at all. But, where, as in this case, the corporation's capital remained unimpaired, and its business did not contract, the pro-rata redemption between Mr. A and Mr. C constituted the type of transaction the courts refer to as being "essentially equivalent to the distribution of taxable dividends," and was therefore taxable at ordinary income tax rates.

(E. H. Stolz v. Commissioner of Internal Revenue, U. S. Tax Court, decided June 6, 1958.)

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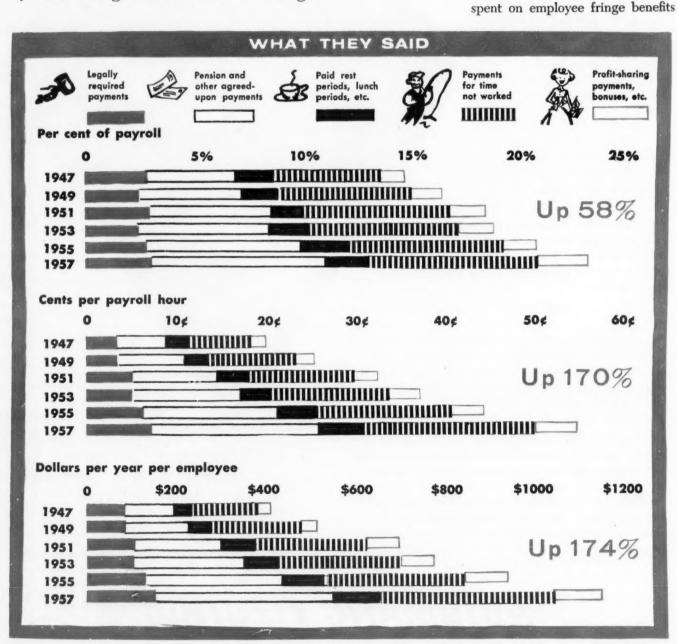
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cost you?

over the past decade has far outdistanced the inflationary cost rise. The chart given here proves it.

Every two years since 1947, the Chamber of Commerce of the U.S. has conducted a depth survey of fringe benefit costs. Each survey has covered hundreds of companies in a cross-section of industries and locations.

Of all of the firms studied, however, there are 102 that have been included in all six of the surveys made by the Chamber so far. These are the companies whose fringe benefit costs are averaged and charted at left.

The dramatic increase in fringe benefit costs for these firms is representative but not an exact reflection of the trend for all industry. According to the Chamber's published report of its latest survey*, averagefringe benefit costs for the entire 1.020 firms covered are somewhat lower than for the 102 firms shown in the chart. But the figures are nonetheless impressive by their size.

For example, the survey reveals that last year a few companies spent amounts exceeding 60% of payroll on fringe benefits-representing more than 90 cents per manhour or more than \$2,000 per employee for the year.

The range of fringe payments, however, is broad.

Some firms spent as little as 6% of payroll on fringes-less than eight cents per manhour or less than \$200 per employee for the year.

The average fringe benefit cost last year for all of the 1,020 firms

"Fringe Benefits 1957." Economic Research Department, Chamber of Commerce of the U. S., Washington 6, D. C. 1958, 36 pp. \$1.

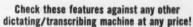
the machine that made office dictation and



50% SIMPL

featuring instantaneous, jam-proof MAGAZINE LOADING

With just five simple controls where comparable machines use as many as ten... with two-second magazine loading where others fumble with old-fashioned hand threading ... with crystal-clear, easy-on-the-ear voice reproduction where others require nerve-racking concentration...the new NORELCO '35' makes it at least 50% simpler, easier and pleasanter to give and take office dictation. Engineered by Philips of the Netherlands, world's largest electronics concern outside the United States, the NORELCO '35' has already established its reputation as the most advanced moderately-priced dictating machine in the world.



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Rate differentials in certain areas of the U. S. can save you real money. For example, from a large section of the U. S. you can enjoy lower inland rates from and to Newport News, Vir-ginia, than to other North Atlantic Ports. Many alert companies have lo-cated plants and warehouses here for just this reason.

cated plants and warehouses here for just this reason.

Now . . a new industrial park has been added to this profitable situation. It offers, in addition to Newport's superb port facilities, a location that needs no development on your part. Utilities are on site. Highways, railroads, air and ocean shipping, are close at hand. And you'll find a favorable "business climate".

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Peninsula Industrial Committee 237 - 28th Street, Newport News, Va.

(Circle number 150 for more information)

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surveyed was 21.8% of payroll, 47.4 cents per payroll hour, or \$981 per year per employee.

Fringes vary depending on type of industry, company size and other factors. But it is difficult to establish a pattern.

For instance, in the majority of industries, fringe payments are higher than average for the larger companies, and lower than average for the smaller firms. But in the insurance industry, firms with fewer than 1,000 employees generally spend significantly more on fringes than do companies with more than 5,000 employees. Similar exceptions to the rule exist in other industries,

When measured in terms of per cent of payroll, banks, finance and trust companies tend to spend the most on fringe benefits. Average for the industry is 31.7% of payroll. A fairly close second among nonmanufacturing industries are insurance companies, with fringes averaging 26.7% of payroll.

At the top of the manufacturing field is the petroleum industry where employers invest in fringes for employees to the tune of 27.3% of payroll. Chemicals and allied products are close behind (24% of payroll).

At the other extreme, hotels spend only an average of 13.4% of payroll on fringes. Firms manufacturing textile products and apparel, as well as those in pulp, paper, lumber and furniture, are second lowest with fringes averaging 17.5% of payroll.

Commenting on the broad range of difference from industry to industry, the Chamber of Commerce says: "This should not be interpreted to mean that some industries (or companies) are laggard, because in some cases both the employer and the workers may prefer to have income reflected entirely or chiefly in the pay envelope."

Such an explanation is not entirely adequate, however. The union influence is, of course, a major factor. Furthermore, the pattern of fringe benefit development clearly indicates that competitive forces are

For the President of a growing concern—

Who wants to retire on about half of his current income . . .

Who would like to afford the same kind of security to his long-time employees . . .

Who never wants his firm to fall into the hands of "just anybody"-

we think the best possible answer probably lies in some kind of pension program - the right kind of pension program for your particular situation, your particular company.

And just which kind is that?

Well, obviously, the right answer for you depends on a good many variables.

For example: On the benefits you hope to provide and the costs you can incur.

For example: On the age and number — the salary, sex, and service status of all your employees.

So there's no ready-made solution. But there is an answer-a tailor-made answer for each set of circumstancesand over the years we have been able to help any number of companies find it.

As a matter of fact, we are in regular contact now with enough fine banks and actuarial firms to let us bring all the help necessary to nearly any door.

If you don't have a pension program yourself -

Or you're not quite sure about the one you've already established-

You might find it helpful to talk with one of our account executives.

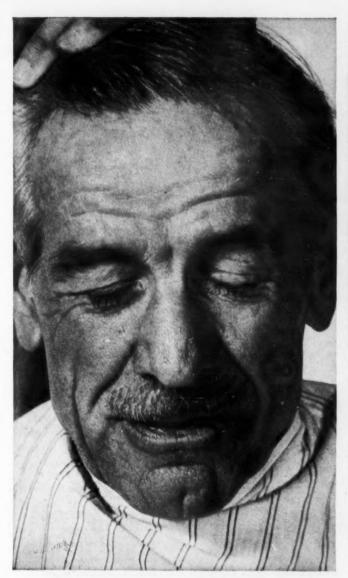
With 126 offices in 112 cities there's probably one nearby. But in any event, you can simply address a confidential inquiry to-

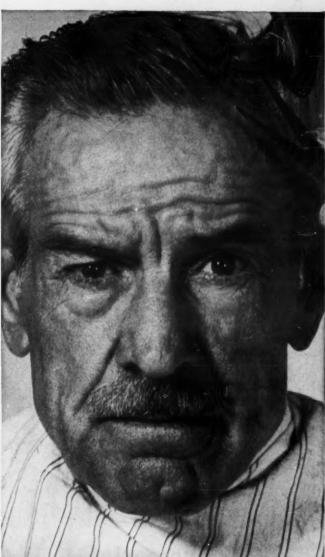
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If you're hamstrung by accounting data that are incomplete, riddled with errors or colder than last January when you finally get them, there's a proved answer to your problem: <u>Burroughs Sensimatic Accounting Machines</u>.

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"NEW DIMENSIONS | in electronics and data processing systems"

(Circle number 113 for more information)



How pagemaster® helps keep order in Yankee Stadium

All kinds of things can happen where up to 70,000 excited people gather.

But in New York's famous "Home of Champions" Stadium Manager Jim Thomson can keep close control over events with the help of a PAGEMASTER Selective Radio-Paging System by Stromberg-Carlson.

Stadium supervisors and assistant managers, equipped with transistorized, pocketsize PAGEMASTER receivers, are strategically stationed in all parts of the stadium. Mr. Thomson can dispatch any number of them to any area on a moment's notice. Here's how.

When extra men are needed at any locality, the manager has his telephone switchboard operator set the private code signals of the men he wants on the PAGEMASTER Encoder (a compact unit placed next to the

switchboard). A flick of a switch puts the calls "on the air."

Instantly, the receivers of the men called (and *only* theirs) respond with a clearly audible tone. The men pick up the telephones near their stations, get their instructions and go into action.

A PAGEMASTER system will give you this kind of fast contact with key people—whether you manage a factory, warehouse, hospital, hotel, oil field or school. You can have a system engineered to your requirements, whether you need just a few receivers—or a few thousand. Systems are available for lease or purchase.

For details, contact the PAGEMASTER distributor in your area. Or write to us at 201 Carlson Road

"There is nothing finer than a Stromberg-Carlson"



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(Circle number 162 for more information)

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Birmingham, Alabama
The Lanier Co., 2129 7th Ave. S.
Boston 15, Massachusetts
DeMambro's, 1095 Commonwealth
Buffalo 10, New York
Regal Electronics, 796 Clinton
Camp Hill, Pennsylvania
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Memphis, Tennessee
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New Orleans 20, Louislana
E. Emile Rackle, 3855 Airline Hwy.
New York 11, New York
Gross Distributors, 216 W. 14th St.
Oklahoma
2-Way Radio, 921 NW 4th
Philadelphia 21, Pennsylvania
J. H. Sparks, Inc., 1618 N. Broad
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Hahn Radio, 700 Penn Ave.
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Rockford, Illinois
Elmquist Music & Sound, 1103 Bwy.
Salt Lake City 2. Ultah
Stand Washington 5, D. C. Tempo Electronics, 1341 L St., NW EXPORT: Ad. Auriema, New York; Canada: Hackbush Electronics, Toronto; Hawaii: Welton & Co., Honolulu

directly involved. Once a major company in an industry begins to build a fringe benefit program, other companies in that field are likely to follow suit, in order to keep from losing job attractiveness. This factor of fringe benefits as a method of attracting employees has been particularly significant during the boom years since World War II—the period in which fringes have mushroomed fastest.

Supporting evidence of the competitive aspects of fringe benefits is the fact that they not only vary greatly from industry to industry, but also from one geographic region to the next. Highest payments are made in the Northeast, followed by the East North Central, the West, and the Southeast.

Of the 1,020 companies surveyed by the Chamber of Commerce, 81% reported payments for pension plans, with pension payments for these companies averaging 5.1% of payroll. Ninety-seven per cent reported payments for employee insurance programs (death, sickness, accident, medical care, hospitalization), with payments averaging 2.3% of payroll.

In sum total, the Chamber of Commerce study makes clear that fringe benefits are becoming an ever-increasingly significant part of total employee compensation in American business.

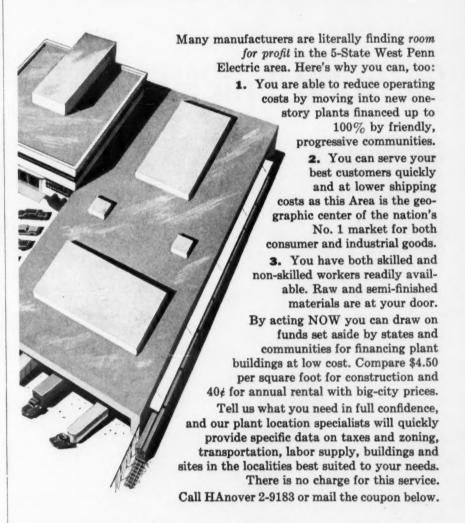


Almost \$14 million paid in 1957 for worker ideas

Cash paid out to employees last year as a reward for suggestions totaled \$13,956,841. This surprising figure was revealed in a survey of 1,163 members of the National Association of Suggestion Systems.

Of the 6,628,386 people employed by these firms, 1,692,704 submitted suggestions through formalized suggestion plans. Roughly 252 of these worker ideas were adopted.

Room for Profit. A Plant Within Easy Reach of 90,000,000 People. Free of Big-City Congestion



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(Circle number 171 for more information)

Homelite's "paperwork simplification" speeds chain saw parts to branches

"An adequate stock of service parts at 62 branches and 2500 dealers is a major Homelite policy", says M. C. Fidao, Office Manager at Homelite, a division of Textron Inc., Port Chester, N. Y. "When we opened our new chain saw factory in Gastonia, N. C., we asked Standard Register to work with us to improve our branch requisition system. They helped us develop new forms and procedures that met our goal of 24-hour shipment from two plants... with the same clerical staff as before ... and with complete parts-inventory control."

PS* Teamwork pays off again! When your staff and our representative plan together, the result can be a solid accomplishment such as this. He is a specialist in the design, construction and application of business forms for the highest system efficiency—at your service but not on your payroll.

IDEAS FOR YOU: Write Standard Register for complete details of Homelite's cost-cutting parts supply system.

24 HOUR SHIPMENT





THE STANDARD REGISTER COMPANY, DAYTON 1, OHIO PACIFIC DIVISION, OAKLAND 6, CALIFORNIA

Sales and Service Offices in Principal Cities ... Plants at Dayton; Oakland and Glendale, Calif.; York, Pa.; and Fayetteville, Ark.

ASSOCIATES: R. L. Crain Limited, Ottawa, Ontario, Canada • W. H. Smith & Son (Alacra) Ltd., London, England • Gemah Formas Continuas, Caracas, Venezuela • Impresora Ariel, S. A., Havana, Cuba • Sten Dahlander, Stockholm, Sweden.

(Circle number 160 for more information)



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Workshop for Management

PRACTICAL IDEAS YOU CAN USE RIGHT NOW!

SALES BUILDERS

INTENSIFY SALES EFFORTS WHERE BUSINESS IS GOOD

■ "OPERATION UPSWING" was Royal McBee's term for an intensive, nation-wide selling program. Major aim of the drive was to channel salesmen's efforts to potential customers enjoying good business, instead of those temporarily crippled by the recession.

The plan was implemented by the weekly "Upswing Express" that highlighted concrete facts and statistics about prospering areas of business economy. Mailed to each salesman's home, each issue identified industries, utilities, institutions and other prospects that were doing better business than last year and, in some cases, the best in their history.

Getting salesmen to concentrate on these prime prospects resulted in a high ratio of conversion into customers, Royal McBee reports.

........

SELL WITH SMELL

■ ADDING FRACRANCE to products of all kinds can spell a buy word, say firms that have tried selling with smell. Market research tests have proved that odor can be an important factor in purchases. In a department store test, for example, women were asked to choose between two boxes of hosiery. Both were identical, except that an al-

most imperceptible fragrance had been added to one. Three times as many women chose the scented hose. Oddly enough, when asked why, not one mentioned fragrance as the reason.

When acrid fumes from a fire enveloped his new car storage area and gave a burned odor to the upholstery, a major auto maker hired an aromatic chemist to prepare a "new car" smell. This was sprayed on the otherwise undamaged cars. Result: sales at no loss.

Some bread manufacturers spray the outside of their airtight waxed wrappers with a "fresh bread"



smell. The odor of leather has been added to plastic footballs for chil-

Lord & Taylor invites customers into its Fifth Avenue store by perfuming the lobby. One insurance company impregnated a burned odor on a letterhead with scorched edges—promoting, of course, adequate fire protection. A letter sent by Coffee Time, Inc., Kansas City, wafted a coffee aroma to get attention for its coffee break service for offices and plants. Many retailers when mailing invoices include perfumed folders advertising toiletries.

Is there an aromatic chemical that can help your sales?

URGE STOCKHOLDERS TO SCOUT FOR SALES LEADS

■ STOCKHOLDERS are interested in increased earnings. That makes the annual report an appropriate place to make a bid for sales leads. Several firms are using this device with good results.

New York Central Railroad is one example. At the end of its report on the annual meeting, Vice President Arthur E. Baylis asks the 40,000 shareowners to be on the lookout for freight business. A post card is enclosed to make it easy to send in traffic tips.

Hawaiian Airlines, Ltd. is another (see page 42). The airline receives a commission when reservations for other lines are made through its offices. So in a special note attached to the latest annual report, Sales Vice President Jack Tobin urges stockholders when flying other routes to book flights through Hawaiian—and to encourage their associates and friends to do likewise.

COST CUTTERS

STUDY SMALL ORDER COSTS

■ ANALYZE YOUR COSTS of handling small orders and you may find hidden profits.

Johnson & Johnson is a case in point. After studying its distribution, it found that small, frequent orders, representing only 2% of volume, accounted for 40% of distribution cost. As a result, J & J tightened

its distribution practices. Size of minimum orders was increased. Frequency of shipments was decreased. Drop shipments to retailers were eliminated and wholesalers were given full responsibility for retail deliveries.

Until recently, Nabisco delivered dog food and cereals direct to retailers along with fresh, fragile crackers and cookies. Analysis showed the dog food and cereals didn't require such frequent delivery and could be more profitably handled through wholesalers. The change was made. Now increased sales and profit for the staple dog food and cereals have resulted, as well as a more profitable cracker and cookie operation.

Other firms, on checking distribution patterns, have found economical and profitable operation dictated sale of a particular line or product. Monsanto, for example, decided it lacked the distribution system necessary to market its detergent, All. So that product was sold to Lever Bros., equipped to distribute such products. Similarly, after distribution study, Avco sold its Crosley and Bendix lines to Philco.

Some multi-product marketers face the decision of whether to organize selling by product or by type of customer. Socony Mobil Oil Co. recently took the latter course. It drastically revised its former setup in which lubricants, for instance, were handled by one division regardless of type of outlet. Now two groups have been established. One directs all sales to commercial customers who use products themselves. The other markets to resellers-distributors and dealers. Glenn L. Werly, domestic marketing manager, feels the new customeroriented marketing manager will improve sales and service-in a day when favorable competitive position is the key to successful marketing.

SIGNAL HAZARDOUS JOBS BY COLOR OF CLOTHES

■ BRIGHT COLORED jackets and shirts have proved a big safety factor since worn by construction

workers at Carrier Corp., Syracuse.

Orange shirts identify machinery and equipment workers; yellow signals exterior workmen; green, utility men; and blue, electricians. White shirts are reserved for those in semi-hazardous jobs, such as plastering.

With this color coding of workers, accidents due to mistaken identity have been sharply reduced. Such accidents were formerly frequent when a foreman called on the wrong man to perform a hazardous job.

Colored clothes yield added benefits: time saved in tallying distribution of manpower on the job, improvement of morale and less absenteeism.

FILL SALES POSTS WITH OLDER MEN

■ CLARY CORP., San Gabriel, Calif., is one company that not only doesn't object to hiring "over forties," but actively seeks them.

Reasons given for this preference: Older men are more inclined to be permanent employees. Most own homes and resist distant greener pastures. They need less supervision. They have lived long



enough to believe hard work is the way to make a living.

In line with this conviction, Clary urges all its branch managers to investigate candidates in the local "Over 40 Club" to fill new sales territories. Members of this national club represent men who have held good positions, currently out of work, who have found it hard to make new connections because of their age.

TIME SAVERS

WRITE IT BY HAND

■ THERE ARE PLENTY of occasions in business where handwriting can be used appropriately—with good results. Whenever and wherever it's quicker, more convenient, economical, or personal, don't be afraid to substitute handwriting for typing.

Here are a few suggestions on the subject, excerpted from the new book, *Improve Your Handwriting*, by Claire Trieb Slote (*McGraw-Hill*, *New York*. 1958. 147 pp. \$3.50).

Sometimes penning a message or memo is more convenient. Short notes, brief instructions, are quickly jotted down while fresh in mind, when dictating equipment is not at hand. Some on-the-go executives carry memo pads with carbons. With no extra effort they record handwritten transactions.

Handwriting, at times, is more economical. A typed letter costs roughly \$1.25 or more and takes the time of two people. Often an executive can save time and money by noting an answer right on an incoming letter or memo and returning it to the sender.

And, of course, handwriting is more *personal*. A note of congratulations or condolence is likely to be better appreciated if penned rather than typed.

Handwriting can often be a shortcut. At Allison Erwin Co. they skip the step of transcribing salesmen's handwritten orders. Invoices are photocopied directly from the original instead. The cost of mechanical billing is reduced and the customer gets his invoice faster.

The sales department is a particularly fertile field for savings through handwriting. For routine reporting, a mere check-off on printed forms often suffices. Then, burdened with less writing, the salesman can write important information for direct transmission to his manager, without the expense and time of a typist. He, too, can use carbons for a record.

A study of ways to cut paperwork costs, conducted by The Research Institute of America, concluded that many temporary work reports, work sheets or first drafts don't have to be typed at all—as long as they're legible.

Take a fresh look at routine chores. There are scores of places where handwriting is quicker, more convenient, economical or personal.

SPEED INTERNAL DELIVERY VIA PNEUMATIC TUBE SYSTEM

■ YOUR COMPANY may be one that can benefit from use of a pneumatic tube system for internal delivery of correspondence, files, samples and



small parts. Savings in messenger wages alone can repay the cost of such an installation in a relatively short period. Some users estimate return of payout in two to four

There are other tangible and intangible gains from a pneumatic tube system. Here are a few reported by Mr. R. B. Bean, administrative services manager, Automatic Electric Co., Northlake, Ill.

Increased production: Timely arrival of paper permits timely action. Employees' output is not interrupted by chatty messengers. Paperwork moving as created, not in large batches, encourages steady work flow and can save as much as a day on some projects. Paperwork in transit is much reduced because of speedy tube travel between departments.

Central filing facilitated: With a pneumatic tube's rapid delivery, any department can safely consign all but most current files to one central location. Once a supervisor is sure of delivery of any file within minutes, he will reduce departmental files to an absolute minimum. Central file storage is less expensive and more efficient than scattered departmental filing.

Improved customer service: This often is worth more than all other benefits combined. Prompt pneumatic tube relay goes a long way toward processing customer's orders in the shortest possible time.

MORALE BOOSTERS

KEEP SUGGESTION PROGRAM ALIVE

■ MANY GOOD suggestion systems die a natural death for lack of adequate attention. Here is a sampling of ideas companies are using to sustain interest and maintain quality of employee suggestions:

American Cyanamid enlists newcomers' support with a letter reading, "You've been here long enough to see how we do things. You bring with you experience you have gained elsewhere—perhaps a new approach to our problems. Won't you use the enclosed blank to give us the benefit of your ideas? . . ."

A. C. Spark Plug sparks more and better ideas by having the suggestion plan supervisor sit down with any employee who has made several unaccepted ideas. This personal review and guidance improves both the quantity and quality of ideas submitted.

Companies such as Kennecott Wire & Cable send releases to the press announcing revitalized suggestion systems with such headlines as "Ideas can earn up to \$50,000." Others publicize milestones such as, "100th employee receives suggestion check" or "\$25,000 mark in cash awards."

House organs—Honeywell Circulator, for example—dramatize employees' suggestions in action. Continental Can issues special booklets publicizing award winners.

Rochester Ordnance District spurs successful suggestions with personal attention and publicity.

WANTED

TO THE SOLUTION OF COMMON MANAGEMENT PROBLEMS.

REWARD

Management Methods will pay a reward of \$10 for each problem solving idea published in this Workshop for Management. Ideas must be practical, concisely written, and readily adaptable by other firms. Each item should fit into one of these five categories:

COST CUTTERS
PROFIT MAKERS
SALES BUILDERS
TIME SAVERS
MORALE BOOSTERS

Ideas used will include credit line for you and your company. Address: The Editor, Management Methods Magazine, 22 W. Putnam Ave., Greenwich, Conn.

Each award winner is photographed as he receives his check from the commanding officer. One picture is posted on the awards bulletin board. The other is given to the proud winner for his personal use. This system works. The winners appreciate the added recognition, and identify themselves more closely with top management.

Correction

In last month's Workshop under "Check mailing methods," point 4 should have read: ".... use two-compartment envelopes. For the letter you use first class postage while the bulky matter enjoys third or fourth class rates." Material so mailed travels third class, not first, as stated.

How to overhaul

Lewis of Hawaiian Airlines

Picture yourself stepping in to manage a company in this state of affairs— a new competitor has slashed your market • capital is almost gone, bank loans are in default • recent cost cutting has backfired • public sentiment amounts to a semi-boycott • management incompetency in some posts has starved the company of ideas • employees are demoralized by bad labor relations, lack of opportunity. How would you tackle these problems? Here's how one executive and his new management team are doing it. This story gives you practical ideas to apply in your own business.

THE PROBLEM:

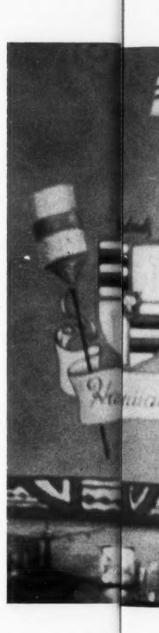
An established firm, dulled by security in its limited but captive market, suffers management laxity, customer resentment. An alert competitor steps in—with devastating results: profits sink to losses, morale slumps to bitterness, and all attempts to fight back seem only to make matters worse.

THE ANSWER:

Paced by a new kind of leadership and management action, the organization shakes down, then pulls together for optimum horsepower. Scientific budget controls and imaginative sales appeals level the profit nosedive. As the business regains stability, new capital is raised to crack traditional market barriers.

THE MAN:

Arthur D. Lewis, President, Hawaiian Airlines, Ltd., Honolulu, Hawaii.



a sputtering business





PHOTOS BY MUKRAT BETELE

THIS ARTICLE TELLS YOU HOW TO—
Make a company pull together
Level a profits nosedive with management controls
Give a business more sales appeal
Crack a market barrier



On a balmy January morning in 1955, a 36-year-old Texan named Arthur D. Lewis stood in front of the passenger terminal at Hawaii's International Airport in Honolulu. He watched a DC-3 drop down from the bright sky and make a routine landing. The plane, although its paint had peeled, bore the markings of Hawaiian Airlines. Lewis glanced at his watch; the flight was 27 minutes late.

He turned to a man standing nearby who appeared to be a plantation worker waiting for a return flight to one of the five outer Hawaiian Islands.

"Are you flying Hawaiian?" asked Lewis.

The man looked back coldly and shook his head. "I'll never fly Hawaiian again as long as there's another way to get where I'm going," he said.

Those words summed up for Arthur Lewis the chief reason why Hawaiian Airlines, a traditional institution as an inter-island transportation link, was losing altitude fast.

An invitation. On that morning in '55, Lewis, then an executive of big, successful American Airlines, was in Honolulu at the invitation of Hawaiian Airlines' board of directors. He was being invited to take over the controls of this small, failing company.

"I faced the task," says he, "of deciding whether HAL's troubles were curable."

To find out, he set about making a study of the company during his 10-day visit. Here's what he learned:

The company: Financed in 1929 by the Inter-Island Steam Navigation Co., Hawaiian Airlines had started scheduled flights between the islands with five small amphibians. The tiny airline lost money at first, then began to prosper, slowly upgrading its equipment until, by the beginning of World War II, it was flying DC-3s. In 1942 it inaugurated the first scheduled airfreight service anywhere in the U.S.

The war offered the company its

real opportunity to establish itself: following Pearl Harbor, inter-island steamer travel was eliminated, leaving the airline to survive its parent company with a virtual monopoly, although a monopoly tightly controlled by war restrictions.

This monopoly, however, together with the war conditions, planted the seeds of big problems that were to plague the company later. With travel restricted and seats almost unobtainable except on a priority basis, Hawaiian's personnel acquired a reputation for arrogance, self-interest and discrimination. This reputation was particularly severe among Oriental citizens who make up a big part of Hawaii's population. Few of these people qualified by occupation for travel priority; their resentment of this fact turned into serious bitterness toward HAL itself.

It was the kind of problem that plagued all airlines during the war. Most took steps to overcome it when the war was over. In the case of Hawaiian Airlines, however, the problem of customer resentment continued unabated.

This fact left the door wide open to competition—and competition was not long in coming.

Angered by treatment received from Hawaiian Airlines during the war, a wealthy Chinese businessman of Honolulu, Ruddy F. Tongg, bought up a fleet of war surplus DC-3s, converted them, and organized Trans-Pacific Airlines. TPA started non-scheduled flights in 1946; in 1949, it was certified to begin scheduled flights in direct competition with Hawaiian.

TPA exploited to the hilt the war-time grievances against Ha-waiian Airlines, and charged the company with new grievances. For example, HAL was accused of being closely allied with the "Big Five," a group of sugar factors alleged to have once firmly controlled much of Hawaii's economy.

At first, some HAL officials seemed convinced the threat could not last. But soon former customers began to stay away from Hawaiian flights in droves, turning to TPA's reservations counters instead. For

bewildered Hawaiian Airlines, the situation became serious, the competition fierce. Trans-Pacific certainly was not making a profit, but now neither was Hawaiian. By 1950, both airlines were on government subsidy. And by 1954, TPA had attracted 30% of the inter-island passenger business, plus 7% of the air freight tonnage.

In the meantime, in its attempt to fight back, HAL's management had decided to further upgrade its equipment, began replacing some of its older DC-3s with bigger, faster CV-340s. The new planes represented a huge investment, financed by a \$2.8 million bank loan. These new planes helped pull some customers back from the competition. But TPA countered with a heavy advertising campaign, discrediting the CV-340s. Hawaiian's gain was only a temporary one: business again started slipping away. To make matters worse, the Civil Aeronautics Board which dealt out subsidy picked up the cry that HAL's new, bigger planes were not economically suited to its type of short haul operation. In 1953, HAL's subsidy was slashed by more than half -a devastating blow that pushed the company well into the red.

Hawaiian's management tried to find other ways to stay competitive. It undertook an all-out campaign against its run-away costs. But instead of seeking ways to become more efficient, management just stopped spending money. Selling and advertising expenditures were reduced, resulting in lost revenue. Flight schedules were curtailed without sound planning, and more revenue was lost. Aircraft were maintained mechanically, but cleaning and painting were neglected; rips in cabin upholstery were left unmended.

Personnel were eliminated indiscriminately, resulting in confusion and administrative bottlenecks, plus dangerously low morale. Because of poor employee relations, three groups of employees—pilots, mechanics and clerks—turned to unions for representation. Vacations and other earned time off were withheld, resulting in a backlog of thou-

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sands of dollars worth of time that would have to be paid for in some way later.

In sum total, the intended savings had made matters worse. Capital was running out and the bank loan payments could not be met. It was clear that the company was just not up to the job of withstanding the kind of competition Trans-Pacific offered.

The founder of the company, Stanley C. Kennedy, was 65 and about to retire. Before doing so, however, he and his board of directors called for a management re-organization. They retained a firm of mainland management consultants to make a survey of the company and to evaluate management personnel. Then the executive committee of HAL's board was instructed to locate a strong candidate for the presidency. A thorough search was made, with the help of the consulting firm, and the committee made its recommendation: Arthur D. Lewis.

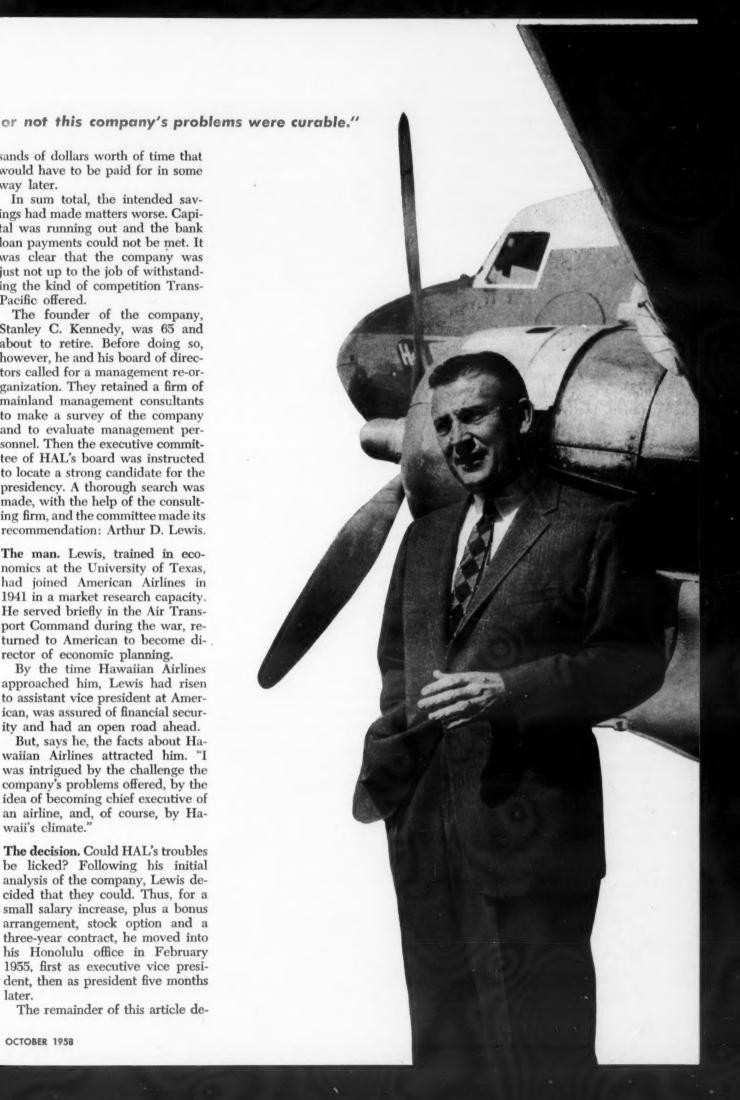
The man. Lewis, trained in economics at the University of Texas, had joined American Airlines in 1941 in a market research capacity. He served briefly in the Air Transport Command during the war, returned to American to become director of economic planning.

By the time Hawaiian Airlines approached him, Lewis had risen to assistant vice president at American, was assured of financial security and had an open road ahead.

But, says he, the facts about Hawaiian Airlines attracted him. "I was intrigued by the challenge the company's problems offered, by the idea of becoming chief executive of an airline, and, of course, by Hawaii's climate.'

The decision. Could HAL's troubles be licked? Following his initial analysis of the company, Lewis decided that they could. Thus, for a small salary increase, plus a bonus arrangement, stock option and a three-vear contract, he moved into his Honolulu office in February 1955, first as executive vice president, then as president five months

The remainder of this article de-



scribes in detail some of the major actions President Lewis has taken to overhaul his sputtering company. Although the management problems of your company may seem to be of a different nature from those of a small territorial airline, you'll find that the imaginative solutions and ideas offered here are readily adaptable to any company's needs

PROBLEM NUMBER 1:

How to make a company pull together

A sparkless organization is rekindled with leadership, organization, motivation, training.

When Arthur Lewis joined Hawaiian Airlines, he knew he could not untangle the snarl of problems through his own single-handed actions. No matter how direct these actions might be, the job would call for more than vigorous personal leadership; it would also call for executive ability to create new vigor and coordinated action among people throughout the organization.

This meant rebuilding the company's wrecked attitudes. If he could get HAL's 600 employees to form a well coordinated and well motivated force in front of him, reasoned Lewis, he could multiply the problem-solving power of his own actions.

The slump in employee attitudes had come about as a by-product of the company's over-all problems. Under the strain of financial losses, management had neglected employee recognition, neglected employees' self-interests, and created antagonistic relations with the various unions which now represented almost all of the employees.

Lack of opportunity was one more big cause of degenerate attitudes.

"Our competitor," says Lewis, "was doing all the growing."

Little or no chance for advancement existed in most departments. Although the company's ranks had been thinned during the preceding years of decline, the organization was still somewhat overstaffed. In



Lewis began circulating among personnel, asking people about their jobs and their problems. As a result of this applied leadership, morale improved.

some cases, the wrong people had been let go. In other cases, the wrong people had not only been retained, but had been promoted. HAL was still made up of many good people, but most of these employees had been discouraged—even blocked—in their desires to offer their extra efforts.

"Company spirit" at HAL had disappeared, and internal disharmony had converted itself into bitter inter-departmental rivalry.

THE ANSWER

Lewis decided he could stimulate the strongest favorable response from the organization with the shock of a complete overhaul, rather than the slower process of piecemeal repair.

But before undertaking the shakeup intended, he wanted to study the organization further, and win confidence and respect in his capacity of management leadership.

Applied leadership. After his first week on the job, Lewis moved his office from midtown Honolulu, where some of the staff was located, out to the heart of HAL's operations at the airfield.

He began circulating among personnel, asking people about their jobs and their problems. He talked with stewardesses, supervisors, pilots, clerks. He called special meetings of various groups.

Lewis discovered that most people, including management personnel were uninformed or misinformed about the company's position and problems. Lewis minced no words in revealing the unfavorable financial status, but he stressed his confidence that, if everyone would pull together, the company could prosper again soon.

One common complaint Lewis received from supervisors and others was that they had not been given the freedom to do their jobs. Management, they said, had attempted to maintain control over its shaky operations by issuing responsibility all right, but by holding back authority. Lewis took token steps to foreshadow the changes that were to come: being careful not to over-compensate for the company's past mistakes, he began assigning specific, carefully defined areas to management authority.

At the same time, he made clear that he expected results. People got the impression from Lewis that he was a warm, human man on the outside, and a tight, efficient, precise executive underneath.

Pockets of resentment and resistance continued in some quarters as Lewis applied his leadership—a brand of leadership entirely new to the company. But, at the same time, signs of positive results began to appear. The much-sought-after vigor was beginning to bud in the

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work and attitudes of people at all levels.

"It is amazing," says Lewis, "how quickly people will respond when given the motivation to do so."

HR plus PR. It quickly became clear that the leadership and human relations efforts that Lewis was applying inside the company were going to be only part of the job. Over the years, HAL had become intricately wrapped into the economic and social life of the islands; thus Lewis saw that he would have to complement his internal human relations with external public relations. He would have to create a new public personality for Hawaiian Airlines, one that would honestly demonstrate a posture of positive efficiency and community serv-

He started by winning the support and friendship of many important persons in the community who formerly had been critical of Hawaiian. Backed by this kind of critical guidance and help, Lewis quickly made himself known in various community circles, offering his time and the facilities of his company for public service projects.

Choosing a management. During his initial weeks and months on the job as HAL's new chief executive, Lewis watched his people carefully. He tested men with special

projects. He weighed the soundness of the thinking behind what each person had to say. He kept his eyes peeled for men who displayed imaginative yet practical ideas.

At the same time, Lewis was giving considerable thought to the company's basic organization structure. He asked himself how the company could be re-organized to get more efficiency with fewer personnel. He studied the recommendations of the consulting firm that had surveyed the company. He sought the suggestions of various members of his board of directors, as well as other business contacts whose judgment he trusted.

It took Lewis four months to get his preliminary organization plans lined up and pinned down. By then he had also carefully evaluated the key men working under him, and decided which of these men he wanted on his top management team. Once his initial plans were set, he began moving them into motion.

He tapped the shoulders of two men in the organization and, subject to board approval, named them vice presidents. They are:

Brian A. Cooke, vice president and treasurer, an intelligent, crisp thinking young man who had joined the company as an accountant 10 years before and since moved up to the rank of secretary-treasurer. Lewis gave Cooke renewed and expanded responsibility so that he could function as HAL's chief financial officer.

Lionel D. Machado, vice president-operations, a soft-spoken, friendly but stern-minded man who had joined the company as a pilot 17 years before, later became HAL's instructor check pilot.

Lewis also gave top level status and responsibility to the company's young director of industrial relations, Lyman C. Conant.

These three men offered not only the beginning of a strong and well balanced management team, but an extensive background of experience within the company on which Lewis knew he could draw.

How to sell a job. There remained, however, one big vacancy to be filled. The need was for a top level sales executive who could pump new life into the selling phase of the business-the area where Hawaiian Airlines had floundered worst during the past years. Because there had been no management development, no one in the company was equipped to take over this sensitive sales job. Lewis had to search for his man on the outside.

He was fortunate to find a prime candidate close at hand. The man was Jack C. Tobin, district sales manager in Hawaii for United Airlines. Tobin seemed ideally suited to HAL's sales management job: he was already an established leader in Hawaii's business community; he had for 15 years successfully handled both sales and service responsibilities for United; his management abilities had previously won him an "Outstanding Young Man" vote from the Chicago Junior Chamber of Commerce.

Lewis and Tobin spent long hours together discussing Hawaiian Airlines, often debating the company's problems until the small hours of

the morning.

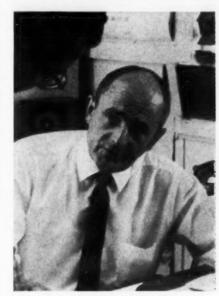
But when Lewis offered Tobin the sales vice presidency, Tobin balked. Lewis, confident that he could win his man over, kept up the pressure, but to no avail. Tobin stood firm.

One day, following what seemed to amount to a final turndown from





BRIAN A. COOKE Vice President and Treasurer



Vice President— Operations



LYMAN C. CONANT

Director of
Industrial Relations

Tobin, Lewis dejectedly started a letter to an executive recruiting agency back on the mainland, but then began pacing his office. Tobin was obviously the right man for the job. Lewis decided he'd make just one more try to win him over.

The persistence paid off. Largely because Tobin was impressed by his future boss's own salesmanship, he threw over the career he had built at United, officially joined Hawaiian in October 1955 as its vice president for sales and service.

Consolidation. One of HAL's problems had been fragmentation: too many small departments supposedly working together yet organizationally separated, sometimes even physically separated. Example: the reservations staff was located in the Honolulu office, the flight scheduling department at the airport. HAL's organization suffered from overlapping responsibilities, as well as gaps of unassigned responsibility. And the chain of command in some cases was so long and involved that communications broke down.

Now, however, as Lewis filled each of his three vice presidencies, he undertook to tighten, strengthen, consolidate the organization underneath. Departments were regrouped along strictly functional lines.

For example, under Operations

Vice President Machado were placed three divisions: flight operations; flight maintenance; and a consolidated division consisting of purchasing and stores, communications systems, and facilities maintenance.

New departments were created to fill out the framework. Under Finance Vice President Cooke, a department of economic control came into being. A traffic department was added to the organization where, surprisingly, none had existed before.

Sales re-organization. What happened in the area of sales was even more significant.

In the first place, Sales Vice President Tobin was assigned responsibility not only for all selling activities, but for all passenger handling activities as well. Station operation was folded into the sales department. The objective: to create sales oriented thinking among all service people. The mandate, as expressed by President Lewis: "Everyone in our company who touches a passenger is to be under sales discipline." Thus, even such personnel as stewardesses became part of the sales organization.

Once consolidated, sales responsibility was divided functionally. Two related but different sales groups were created: one to sell the

local business, the other to sell the tourist business (largely through mainland travel agencies).

The sifting process. Now the job of organization rebuilding moved down to the lower levels. No time was lost in stirring up sales personnel by change-making. Because of the preliminary discussions Tobin had held with Lewis, he joined the company with a sound orientation. As soon as the reins of sales and service were in his hands, he began releasing people who had given evidence that they could not—or would not—bend their shoulders to the wheel with the strength and enthusiasm required.

Says Tobin: "A man whose superiors have crippled him in his job for a long period may be unable to regain his ability to perform, even when given the opportunity, until he moves elsewhere."

While the organization was thus being sifted out, qualified men farther down the line were being located and moved up to substantially bigger jobs. On the various islands, the positions of district sales manager and assistant manager were created. When Tobin assigned men to these decentralized management posts, he imposed on them a two-fold duty: 1) to get sales results, and 2) to train the people under them. Tobin gave his new mana-

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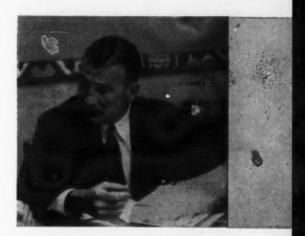
to fill key posts and make up his top management team.



JACK C. TOBIN

Vice President—
Sales and Service

"I looked for men who could offer imaginative yet practical ideas."



gers evidence of his confidence in them by releasing large shares of his own management authority to them.

Says Tobin: "When a building is burning down, you want the man who can carry the most buckets of water. That's why we promoted strictly on the basis of ability and potential ability. A man's previous level in the company, his race or his social position had nothing to do with it. And, incidentally, we didn't just pick the best salesmen; we selected the men who we thought would make the best sales managers. We selected people on ability to put people together, not on the ability to put pieces of their jobs together.'

New blood to strengthen the organization was sought from the outside.

Often, when a good man was found, he was offered a salary higher than he could have earned under the previous management. But because the staff was now being rebuilt with fewer people of higher caliber, net dollar economies resulted.

A by-product of the re-organization was a shorter, faster line of communication from top to bottom. Reason: despite the new management manpower at the top and on the firing lines, particularly in sales, an unnecessary layer of middle management had been removed. Scientific methods. When Lewis arrived on the job at Hawaiian Airlines, his actions of leadership had given the organization what amounted to a powerful and positive shot in the arm. The period of major reorganization that followed, however, caused another kind of reaction. This was the reason:

Lewis and his associates felt that once they launched the re-organization program, they had to keep it moving and see the job through, in order to avoid the risk that the company's framework would solidify before it was fully remolded. This kind of drastic change kept the entire company in a state of flux which, although it fortunately did not affect operation to any serious extent, did cause a feeling of emotional upheaval among many employees.

Partly to counteract the insecurity caused by rapid change, however, Lewis had set other forces in motion. He began applying management methods which gave indications that, once the organization was shaken down and pulled together, things would be run on a firm and strictly scientific basis.

For example, standards of work performance were established, notably in the aircraft maintenance departments. These standards were

established on an informal basis at first, but refined and improved as time went by. The standards gave employees a tangible measuring stick of what was expected of them in their jobs, and served management by insuring that employees would not pace themselves too slowly.

Job evaluation was also applied on a scientific basis. Job descriptions were written and a fair, equitable wage and salary program was designed and installed. Furthermore, not only jobs but people were given thorough evaluation. At one point, Lewis ordered each department head to make a thorough analysis of the supervisors working under him, as a means of determining which of these men were qualified to be moved up in the organization.

Still other methods were applied to add stability. Such simple and common employee relations tools as a suggestion system had been overlooked in the past, but now were installed.

More significantly, Lewis and Industrial Relations Man Conant undertook to work with the unions on a positive basis of partnership. As personnel policies and working conditions were upgraded, the unions were given a full share of credit for the improvements. Partly as a re-

sult of this cooperative attitude on management's part, the mechanics', clerks' and pilots' unions agreed to a one-year moratorium on wage negotiations soon after Lewis arrived.

Training and recognition. Two other methods have been used by Lewis in his efforts to create a well coordinated and well motivated organization at Hawaiian Airlines.

The methods are training and recognition.

"Training," says VP Tobin, "is not one of the places in which we feel we can afford to economize."

At HAL, training is emphasized in a number of areas. For example, the company has its own stewardess training school, is able to take a young woman from practically any social background and, in a period of six weeks, give her the skills and personality training she needs to serve as a sales builder for the company.

Despite the variety of training efforts undertaken by the company, however, it is management training and management development that

are given priority.

Here the company faced a handicap: Hawaii possessed fewer of the management training facilities than are now commonly available in most U.S. cities. HAL's answer: it formed its own management club. Once each month, management and supervisory personnel from all the islands fly into Honolulu for a regular dinner meeting at which internal problems and general management topics are discussed. The managers themselves pay half the cost of the programs. Four times a year, department heads are invited to attend regular meetings of the top management staff. For these meetings, management books, magazine articles and other readings are assigned, then discussed in detail.

Another training method used by the company for its major department heads and senior executives is to send them back to the mainland to attend management development programs such as Harvard's advanced management course, and the sales management program put on each summer at Rutgers.

Says Lewis: "When one of our

executives is away for a number of weeks taking part in one of these programs, it's not only good training for him, it's also good training for the man under him who has to take over his boss's job."

HAL also places heavy emphasis on management counseling and

coaching.

Says Industrial Relations Director Conant: "I don't think you gain much by sitting a man down and telling him. You get the best training results when you give him a chance to convince himself. But in order for that to work, he's got to have a driving force of motivation behind him."

One way HAL maintains this force of motivation behind its people is by offering special recognition for special achievement. For example, an "Employee of the Year" award is made, carrying with it 100 shares of company stock. Similarly, a "Stewardess of the Year" award is presented; among the prizes is an all-expense tour of the mainland (during which the top stewardess

serves as a goodwill representative for the airline.

The need: controls. Within a year, President Arthur Lewis had accomplished his initial goal of breathing new life into what had been a sparkless organization. He did it with personal leadership, organization, motivation and training, mixed with other tested methods of modern management.

But even a strong, smooth-working organization is not enough in itself to turn a company from loss to profit—as Lewis discovered. During 1955, his first year with the company, Lewis slashed the net operating loss to \$243,147, from \$592,038 the previous year. But it was still a loss—a significant one.

What the company needed now to replace red ink with black was a set of workable management controls that would force costs down and profits up.

The following section details how Lewis and his management team created and installed such controls, and the results that were achieved.

PROBLEM NUMBER 2:

How to level a nosedive with management controls

Budgets and better management reports mean better schedules, lower costs and a net profit.

■ Profit disability at Hawaiian Airlínes was due largely to the bludgeon of costs. In 1955, when Arthur D. Lewis stepped in as chief operating executive, he was forced to face two distasteful facts:

Fact one: The company was operating in a limited market. Because HAL operations were confined—by geography and CAB charter—within the 300-odd miles between the six Hawaiian Islands, its costs were high, particularly fixed costs. Typical reason: it costs HAL about as much to sell an \$11.20 seat on the 100-mile flight from Honolulu to Maui as it costs TWA to sell a \$182.88 seat on a 3,000-mile flight from New York to Los Angeles. The tourist business further complicates

cost problems. Although tourists contribute heavily to HAL's income, the business is seasonal. This means retaining equipment and other facilities that are not fully utilized year-around.

Fact two: Despite the market limittations, HAL was now sharing the market with a new competitor. Yet HAL had found that to trim flight schedules in line with lost business meant more lost business. And competing on the basis of price was out of the question.

Largely because of these two key facts—limited market and new competition—HAL had been unable to pay a dividend since 1949. Profits had begun to slip then, turned to a loss in 1953, a far greater loss in 1954

The next year, when Lewis came in and slashed the loss by more than (Continued on page 92)

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GRADUAL AUTOMATION

your small plant can start it now

This article challenges—with proof—most of what has been said about automation in small and medium sized plants. And it will challenge your thinking. The facts and case examples given here can start your company on a new road to planned profits.

by S. E. Rusinoff Professor of Mechanical Engineering, Illinois Institute of Technology

If yours is a small or medium sized plant, and if you think of automation as a method reserved for only big plants, you'd better revise your thinking

better revise your thinking.

And you'd be well advised to change your thinking right now, instead of putting off an investigation of how you can apply automation in your operation. A significant number of plants—perhaps some of your competitors—have already begun automating on a gradual basis, with profitable results.

Firms like Alloy Manufacturing Co. in Chicago have proved that automation is frequently as adaptable to the small plant as to the large. If your company employs from as few as 30 or 40 people to as many as 1,000, gradual automation may give you both an immediate return and a long range competitive edge.

Two factors are causing small and medium sized plants to adopt the concept of gradual automation.

First is the factor of cost. Experience has shown that large capital outlays are *not* usually required to automate a significant amount of machinery. In a carefully planned program of gradual automation, the small scale capital expenditures required in each stage can be

returned quickly for re-investment in the next

Second is the factor of product variety. Once your program is well underway, you will find that automation usually makes short runs of different products *more* economical and feasible than they are under mass production techniques, where machines are geared to produce large volumes of similar or identical products. Automation permits greater flexibility in adapting production units to turning out parts with different specifications. Where old machines were restricted to producing large volumes of one or few parts, automatic machines will be able to produce limited volumes of a large variety of parts.

Biggest production gains through small-scale, gradual automation have been realized by producers of fabricated metal products. Recent studies of manufacturing processes in the metalworking industries indicate that approximately 16% of all manufacturing operations can be profitably automated. It is becoming increasingly apparent that, for small and medium sized plants, this estimate is too low, since percentages of automatable operations in many such plants where automation has

Don't let your rival companies out-automate you!

You can automate without expensive initial investment!

been introduced range up to greater than 50%. At Alloy Manufacturing Co., manufacturer of component metal parts, where a program of gradual automation has been underway since 1955, it is anticipated that about 60% of all processes will be automated by the program's completion in 1963.

The history of automation at Alloy is worthy of a closer look because of the model it can provide for other plants for which gradual automation can cause significant productivity gains—at a time when such gains are becom-

ing increasingly important.

Alloy Manufacturing Co. manufactures fuel pumps, universal joint parts, oil and grease seals, and other component parts. It employs an average workforce of some 100 employees. Gross annual sales approach \$1 million. Most of the work done is in the replacement field, and is on a contract basis.

The key to successful automation at Alloy has been the redesign and improvement of existing machinery for automatic and semi-automatic operation. A number of concrete examples will serve to illustrate the precise nature of gradual automation, as applied at the Alloy

plant.

Automate old machines increase productivity.

Don't wait-

automate-

gain.

for significant

Figure 1 is a rebuilt New Britain six-spindle automatic chucking machine that performs combined machining operations on universal joint crosses. This machine was redesigned in order to increase its output per unit input of labor. Redesign features include the use of all six spindles and all tool positions. With improvements, productivity has increased three to one. Plans are now underway for the addition of an automatic loading device.

A slightly different type of improvement

was sought in the semi-automatic machine shown in Figure 2. The function of this machine is the generation of radii on wing bearings used in universal joints. Starting with the frame from an unused machine, it was designed and built to combine the operation of three separate machines into a single unit. In the finished unit a single operator can do the work of three before improvements. Actual saving is greater than three to one, because of the improved machine's greater productivity rate. Increased productivity is due to the addition of automatic devices to the improved machine, which include indexing, orientation and motivation of two workpieces simultaneously.

Automatic operations incorporated into the centerless internal grinding machine shown in Figure 3 include loading, feeding, grinding and ejecting. Output per unit input of labor has so increased with the addition of automatic operations that Alloy plans to install a second, identical grinder, to be handled concurrently by the same operator, thus doubling the ratio of output to labor input. Improvements also include automatic wheel dressing, and an automatic wheel dressing and all dressing and an automatic wheel dressing and an au

tomatic gauging device.

This machine grinds inside diameters in universal joint bearing cups. There are a number of advantages in the use of automatic centerless grinding units which are of special significance in planning a program of gradual automation. The work does not have to be center drilled on the ends, thus saving machining time. The grinding operation is almost continuous, which saves loading and unloading time. Operation of the machine does not require a skilled mechanic; upkeep cost is low. Assembled fuel pumps are inspected in the

Figure 1: When this machine was rebuilt to combine operations automatically, it increased productivity 300%.



Figure 2: Rebuilt from the frame of an unused machine, this new automation device combines three operations in one.

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MANAGEMENT METHODS

operation shown in *Figure 4*. Testing errors have been reduced to practically zero with the addition of the gauge illustrated. Installation of the gauge will make it possible in the near future to add a device in the testing operation which automatically rejects defective parts.

The implications of this seemingly minor improvement are far-reaching. The use of gauges as inspection tools is an important step toward automation, for both the small plant and the mass-producer. This is especially true in the development of automated quality control systems. A fully developed automatic gauging system is capable of stopping and changing the tooling in a machining operation, of adjusting the tool when machined workpieces approach the limits of tolerance and of actuating segregating mechanisms so that faulty parts are rejected.

The four processes described are part of an integrated program of plant improvement through gradual automation. Each improvement has been undertaken only after careful planning, with respect to both its immediate consequences and its long range relationship to the entire program. Time must be allowed between improvements for the ironing out of wrinkles in new and redesigned machinery, for the training of operators for their new, usually more complex duties and for cost distribution. Skillful planning has made it possible for Alloy already to realize impressive productivity gains.

In planning a program of gradual automation, the plant operator must deal with specific problems. No set of blueprints has been developed which will enable you to make a quick, efficient changeover to maximum automatic production within a few months. The precise nature of the improvements you undertake will be determined largely by the specific conditions under which your plant operates. However, it is possible to formulate three basic problems, common to every attempt toward gradual automation. The experience of Alloy can be a helpful guide to solution of these problems.

Automation should not disrupt normal production schedules.

1. How do you initiate a program of gradual automation?

The first step is to select a single machine on which to begin improvements. The machine chosen should usually be the one producing the greatest number of identical pieces in one setup. It has been mentioned that automation permits greater flexibility in adapting production units to producing parts with different specifications. However, because there is more time involved in changing over an automatic operation, parts least affected by such factors as model changeover should be automated first.

Selection should also depend upon the practicability of making improvements without interfering with normal production schedules. It should be possible to rebuild and adapt on plant premises, where supervision and development of adaptations are under close control. In the automation of a metal cutting machine, initial steps usually involve one or a combination of the following stages: orientation, loading, clamping, indexing, delivery of workpiece to cutting tool, operation of cutting tool and ejection of workpiece.

The machine chosen should be one in which

Automation mainly an individual company affair.

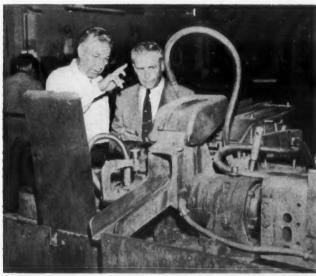


Figure 3: Automation of this machine made the operator's job so simple that he now can handle two machines at once.



Figure 4: Testing errors have been reduced to practically zero with the addition of this automation gauge.

improvements will effect a high degree of increase in product output. Obviously, increased productivity should be weighed against the factors outlined above, and those improvements should be undertaken first that offer the greatest benefits in terms of output per unit of cost input and the ability to absorb costs quickly. In this connection it is important that the operation before the improved one be able to supply the number of workpieces required by the redesigned machine, and that the subsequent operation be able to absorb the increased output.

2. How do you regulate capital expenditures in a program of gradual automation?

Problems of cost can best be handled in terms of the amount of time in which the proposed improvement can be expected to pay for itself. This fluctuates according to a number of factors, including market duration for the finished product, cost changes, product price changes and, most important, product model change-over. Long-term contract work frequently lends itself to small-scale, gradual automation.

In many plants an improvement should be expected to pay for itself within six months or a year. Whether costs should be absorbed in the fiscal year during which the improvement was made, or amortized over a greater period of time, is a problem to be worked out jointly by the engineering staff and the accounting department. The range of variation possible can be illustrated by noting that Alloy has found a period of two years to be adequate for most improvements. One reason for this generous period is that product model change-over

ABOUT

AUTHOR

THE



S. E. Rusinoff is well known in industry for his work in manufacturing processes and tool engineering. His experience with the technology of automated production has been incorporated into his recently published book, Automation in Practice (American Technical Society, 848 E. 58th St., Chicago 37. 1957. 261 pp. 245 illus. \$6.50). This is one of the first comprehensive works on automatic production techniques to be written primarily as an educational tool for men in industry.

Mr. Rusinoff is professor of mechanical engineering at Illinois Institute of Technology. He has served as a designer for Westinghouse, designing and research engineer for Borg-Warner and chief body designer for an auto manufacturer.

rarely necessitates complete redesign of parts manufactured at Alloy.

3. How do you evaluate the long range consequences of each stage in a program of gradual automation?

Redesign and improvement of machinery should be undertaken only after careful consideration of its consequences for the entire program. Can similar improvements be made on other machines? Can this improvement lend itself to further improvements on the same machine? Can the improved machine be combined or integrated with other operations? Both selection and redesign must be made to accommodate these goals.

In the case of the centerless grinding machine discussed above, improvements have made possible the installation of a similar machine, thus doubling output per unit of labor. The New Britain six-spindle chucking machine was redesigned in such a manner that

the addition of an automatic loading device is the next logical step toward automation. The gauging operation employed in the inspection of assembled fuel pumps will eventually be part of a control system designed to make automatic machine adjustments in the assembly

process.

The general pattern in gradual automation is the step-by-step addition of automatic devices, followed by their integration into a fully automatic production system. Such a system integrates the three major functions of production—materials handling, fabrication and inspection—into a self-regulating whole. The ultimate development in automation is the pushbutton factory, where automation is utilized from the introduction of raw materials to the delivery of finished products at the end of a

completely self-controlled system. Most small and medium-sized plants are a long way from the push-button era. Much of the machinery required for such systems is still too expensive for most manufacturers to consider. Much has not yet been developed. But, the plan of gradual automation discussed here is within the reach of virtually every manufacturer, particularly in the metalworking industries. Metal casting, metal forging, pressworking, metal cutting, heat treatment of metals, metal joining operations-all these basic metalworking processes are susceptible to some degree of automation now. And the particular merit of gradual automation is that productivity increases per unit of cost can be realized with the introduction of small improvements in existing machinery, rather than after an entire program is completed. In the case of Alloy, each one of the improvements described above, and many others, spelled greater immediate productivity-and greater immediate profits.

Careful planning can eliminate your longrange worries.

Easy automation is available for all types of companies.

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You get immediate production raises!



New evidence points to the fact that it is a mistake to cut back on sales effort during the summer. Reason: summer months are planning months for most business buyers. Sales power in mid-summer produces purchase orders in October.

Did you wait until summer's end to shift your selling campaign into high gear? If so, you may have made a strategic error.

Contrary to much popular belief, facts show that summer is a good time for many firms to maintain or even accelerate their selling activity, rather than to let it slack off—particularly if you sell to business buyers.

Consider the popular belief concerning the buying practices of business and industrial firms. It goes something like this:

Business firms tend to place more orders for new equipment (and so on) in the fall, after vacations and the general summer slow-down are over. Thus it's a mistake to waste sales effort and advertising budget during the summer months. Better to conserve selling strength during the summer, then come in strong with a selling surge in the fall.

The fallacy in such reasoning is this:

Although it is true that business buyers tend to place more orders in the fall, they do the *planning for* this buying spree during the summer.

What evidence is there to support the business buying pattern of "plan-in-the-summer-and-orderin-the-fall"? Perhaps some of the strongest evidence consists of facts and figures that the publishers of MANAGEMENT METHODS have accumulated in their own files.

For example, MANAGEMENT METHODS contains a Reader Service Card each month. All advertisements and some editorial items are "keyed" to numbers printed on this card. To get further information on any of these advertisements or keyed editorial items, the MM reader simply circles the appropriate numbers printed on the card, and drops it in the mail.

The chart gives a tabulation of the total inquiries "pulled" by each issue of Management Methods over a five-year period. Obviously, these inquiries represent business plan-

ning; in each case, the reader has asked for additional information about some product or service that he feels may be of value to him.

According to the traditional theory about the summer slow-down, MM inquiries should drop off sharply during the summer months of April, May, June, July, and August—particularly the latter three when vacations are most commonly taken. But the chart does not bear out this theory. The tabulation does show some spotty decline but, generally speaking, inquiry interest tends to hold fairly steady.

Furthermore, note that in the month of August, for example, inquiry interest is particularly high.

In 1954, August was the second highest inquiry month for the year.

In 1955, August was the third highest inquiry month.

In 1956, it was the second highest month.

In 1957, August slipped to eighth position—possibly foreshadowing the recession.

This year, August inquiries are again third highest for any month so far (behind April which is the highest inquiry month during the entire five-year period).

Proof Positive

What this means is this:

The summer is anything but dead from a business point of view. The summer months are planning months for business buyers. The orders may come in during the autumn. But if the businessman is going to install a new device or purchase any other business equipment or services, he has to do his planning and make his selection during the summer.

Check your own September-October sales figures for the past few years. If they are higher than average, it is safe to say that you probably "sold" the orders during the summer. Business billed in October is usually written in August.

Here is still further evidence of this fact:

Recently a market and opinion survey was conducted among a

					CONTRACTOR DESCRIPTION
	1954	1955	1956	1957	1958
January	2563	2108	1805	1975	1379
February	4180	3365	2849	1601	2552
March	1977	3666	3741	1275	3533
April	2513	2003	2407	1107	5121
May	2252	2869	1556	844	2540
June	2358	1610	1558	1059	1902
July	2535	1630	1908	1799	1725
August	3511	2916	3343	1220	3908
September	2105	1749	1639	1809	
October	1693	715	1589	2583	
November	1665	1123	750	1545	
December	1490	605	699	1454	
December	1490	605	699	1454	

Breakdown of Reader Service Card inquiries "pulled" by each issue of MANAGEMENT METHODS over a five-year period.

sampling of MANAGEMENT METHODS readers by MM's own sales department. The survey covered a cross-section of industries. Questionnaires were distributed to Western Union offices throughout the country. Western Union personnel then conducted telephone interviews with a sampling of top executives in their towns who read MM.

One of the questions asked in this survey was this:

From the standpoint of your business planning, would you say that the summer months are more important, less important, or just as important as the other months of the year?

Just below is a tabulation of the answers given in nearly 100 telephone interviews:

Just as important	4204
More important	61%
more important	21%
Less important	
	18%

In other words, 82% said the summer is just as important or more so.

Even more impressive are the answers given in a similar survey among another group of business buyers.

The publishers of Management Methods also publish a monthly magazine called School Management, edited for school board members, superintendents and other school administrators. With the same technique used for the MM market and opinion survey, a sampling of School Management readers was queried. One question asked was this:

Do your school board and your school administrative staff meet during the summer months to make fall plans?

Overwhelmingly, the answer was yes. Of 807 school officials interviewed by telephone, 92% said that they use the summer to plan their programs for the fall.

There is an ample supply of additional evidence to support the fact that firms in many fields can build sales by selling in the summer—when customers and prospects are in a planning mood.

It is a fact worth keeping in mind now as you begin mapping out next year's marketing strategy. ■

Seven ways to build sales with a telephone

Don't overlook the telephone in your search for better ways to attract more business and stretch your selling dollars. The telephone offers infinite possibilities when imaginatively used by both salesmen and sales manager. Here are seven tested ideas that will start you thinking of others.

> One big lesson learned in '58's recession is the power of the telephone as a sales builder.

> While some managers issued mandates to curtail telephone usage, others reached for the phone to save their firms from the quicksand of sinking sales. They learned that the telephone can:

> Decimate selling costs and time.

Reverse a recession pattern.

Keep a company a head above its competitors.

Consider these statements by sales executives around the coun-

"Telephone selling jumped our sales of feed and seeds by \$70,000."

"Our annual telephone business totals \$375,000; our sales costs are less than 1%.

"We sell flowers . . . 70% of our telephone solicitations result in sales.'

"We sell \$6.5 million in tires annually-by telephone."

Other firms report further specific advantages when they include the telephone in their sales strategy: broader sales areas, more prospects, more intensive market coverage, less waiting room jitters for salesmen. They report that telephone selling (and prospecting) can be as strong or stronger than face-to-face selling.

Says one sales manager: "We landed one account by telephone after a five-minute conversation. The call cost about 85¢, and we sold an order for \$850. To send a salesman would have taken a 360mile drive-a full day's time and costs. The results wouldn't have been any better."

Other advantages cited by firms that have tried telephone selling are that it hooks the impulse buyer, qualifies prospects, slashes sales correspondence and other paperwork, scoops out-of-the-way markets, enables the salesman to get in instant touch with his regulars, creates a uniform and systematic pattern of field coverage, andperhaps most important of all-instantly moves the sales personality past closed doors and into the buyer's presence.

Bell System officials freely survey any firm's telephone selling opportunities and offer other types of guidance. They claim that anything can be sold by phone-from books

to boilers.

To start you thinking of other methods, here are seven tested



ones that can be tailored to help simplify and strengthen your company's sales campaigns:



Use "call collect" plan

■ With as simple a device as a printed sticker on your letters, you can let the customer or prospect know that you would be delighted to have him call collect to place his order at his convenience.

This method has helped a number of firms outdistance their competitors. They use a variety of eyecatching stickers featuring firm name, address and telephone number. They stick the small labels on letters, invoices, packages, bills and any other outgoing mail to sales prospects.

Small quantities of such stickers are made available free to business firms by the Bell System. As free-riding billboards, they remind the customer that you think enough of his order to pay the freight on his

long distance call.

Case in point:

■ An industrial distributor recently attached "call collect" stickers to a 3,000-piece mailing. Five percent of the recipients not only saw the stickers, but called collect to place new orders.

One wholesaler has gone on record with the statement that he grosses \$3 million a year solely because of his "call collect" plan.



Use "enterprise" plan

■ You can use the "enterprise" or special reversed charge service plan to build sales in a particular city or district. The plan gives you many of the advantages of opening a branch office in the market, complete with telephone directory listing, but without the cost of renting space and hiring a branch office staff.

Under the plan, the telephone company gives you an "enterprise" or other designated number in the particular city. Your customers there can call you on this number at no charge to them and without requesting that the charges be reversed. The call comes into your office over your regular telephone line.

The monthly charge for this special reversed charge service plan is small. Stickers are made available for you to use on correspondence to notify your customers in the particular market that they can call you free by using your local number in their city.

Case in point:

■ One of the major international airlines uses the "enterprise" system extensively. Officials of the company credit the service with literally doubling their volume of business with travel agents.



Use "phone ahead" method

■ Salesmen who make sales calls without appointments are gambling not only their time but their welcome. Despite this self-evident fact, any number of recent surveys point out with consistency that many salesmen waste major segments of the workday cooling their heels as unwelcome guests in reception rooms while they wait for a chance to talk to the right person.

On the other hand, salesmen whose companies make it a policy to telephone ahead for appointments almost invariably find that they spend more time at their real occupation of selling, than they do merely waiting to sell.

The courtesy of an appointment telephone call is almost always welcomed by an executive or buyer, whether or not he happens to be busy.

Case in point:

■ A diesel engine company reports a 20% increase in the time its salesmen have available to spend with customers as a result of a new policy which instructs salesmen that they must call ahead for appointments. Says a company executive: "We estimate the sales time we are saving is worth \$1,150 a month."

In another case, six electrical equipment salesmen are able to cover 800,000 square miles of sales territory because of their travel scheduling plan based on advance telephone calls to out-of-town prospects.



Use "keytown" sales approach

■ Making thin markets pay and at the same time covering regular sales itineraries is a two-headed monster that haunts a good many salesmen while they are on the road. Cost of a salesman's visit to a prospect averages out to \$17.24, according to one survey. This figure, however, can multiply quickly when sales calls involve extensive travel to prospects who are weak at best.

To beat this sales cost problem, the Bell System has devised the key-town approach for salesmen on the road.

As the salesman arrives at each key town on his itinerary, he systematically calls sales prospects in the surrounding area. He arranges the sequence of his calls in such a way that he can economically schedule side trips to call on the stronger prospects and eliminate from his schedule those sales calls that are not likely to be profitable because the customer is not ready to buy.

The telephone company has designed a special key-town telephone directory that is available

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free. When properly used by a salesman, his key-town directory helps him stay on top of his job while he is on the road.

Case in point:

■ After one firm trained its salesman to use the key-town method, they reported back enthusiastically that the plan saved them an estimated 33% of their time. Says an official: "When our 12 salesmen are on the road, they make an average of 15 calls a day from their key town stops. Cost of the calls averages about \$5 each, but the method eliminates numerous side trips that would cost a good deal more and would probably be fruitless."



Use "skipstop" sales plan

■ The "skip-stop" sales plan is a variation of the key-town method. Here's how it works:

On one trip, the salesman actually visits only a portion of his prospect list; he contacts the others by telephone from nearby stop-over towns. On his next trip over the same route he reverses the procedure, calling on those customers he telephoned before, and telephoning those he visited.

This method greatly increases the size of the territory a good salesman can cover, yet keeps him in regular touch with everyone on

his prospect list.

Effectiveness of the plan, of course, depends on pre-planning. The sales visits and the telephone calls should be scheduled with extra care. In addition, savings can be made by devoting extra study to the selection of a central and convenient calling point for each customer along the way.

Case in point:

■ A machine tool concern headquartered in Kansas City keeps sales costs down and yet keeps a solid grip on markets in Chicago, Toledo, Detroit and points farther east and west by using skip-stop



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Keep the skilled hands in your office on work that pays . . . not on time-stealing paper-stacking chores. A standard eight-station Macey Collator and one girl can gather 32,000 sheets per hour — that's 8 times faster than hand-gathering and far more accurate.

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(Circle number 139 for more information)

Looking for cost-cutting ideas?

The most significant cost-cutting methods developed in the last 12 months are offered in the all New 1958 Proceedings of 10th Annual Meeting of the Systems & Procedures Association of America

NCE A YEAR the Systems and Procedures Association of America holds a 3-day inter-nation meeting at which they review their most recent efforts in the control of administrative overhead. Each talk, each seminar, is carefully recorded, transcribed and edited for the benefit of members who are unable to attend. The final product is a 512-page hardbound and indexed volume of practical solutions to administrative problems.

Again this year SPA has over-printed a very limited number of copies for non-member executives. We have obtained exactly 500 copies for distribution and sale to the readers of MANAGEMENT METHODS. Because we are so confident that this book can help you slash overhead and streamline the efficiency of your operations, we are able to make this unusual offer:

SEND NO MONEY, TAKE 10 DAYS TO EXAMINE IDEAS FOR MANAGE-MENT AT YOUR LEISURE. UNLESS YOU OBTAIN AT LEAST ONE COST-CUTTING IDEA, IN THAT PERIOD, RETURN THE BOOK WITHOUT OBLIGATION. OTHERWISE WE'LL BILL YOU FOR ONLY \$16.00.



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Management Publishing Corporation

scheduling. The company reports that during the recession slowdown the skip-stop plan was a major factor in keeping the business going.



Use sequence calling service

■ The sequence calling service is used by many companies whose bread-and-butter depends on the effectiveness of high volume telephone contacts to scout out or wrap up sales.

Under this plan, a list of customers is prepared and given to a special long distance sequence operator. This operator works with you on the entire list of calls, making the connections in rapid sequence.

Companies that regularly use the sequence calling service often turn over typed lists of sequences to the telephone company. Special forms are available for this purpose.

Case in point:

■ In mid-recession, a midwestern manufacturer set aside three days for a telephone "sales marathon." Using the sequence calling service, both salesmen and company executives telephoned dealers all over the country. By thus manning a battery of telephones and making calls in rapid succession, orders were taken at the rate of about one every four seconds. At the end of the three-day marathon, dealer sales totaled \$17 million.



Use telephone sales meetings

No matter how well armed, informed and motivated a salesman is, there is always that crucial time when he needs immediate guidance from his home base—perhaps

a chance to "think out loud" with his boss, his boss' boss and other personnel at headquarters. It can be done in minutes by using the conference plan. All the salesman has to do is call a conference operator who, in turn, brings in as many open circuit participants as are needed to clear the air of the problem. Up to 14 people can confer together in this manner.

And the conference plan can work both ways. A sales meeting can be held at low cost and almost on the spur of the moment through a conference hookup between headquarters and the salesmen in the field.

Case in point:

The sales executive of a pharmaceutical manufacturing firm says he saves his company a minimum of \$2,000 every time he calls a telephone sales conference instead of physically bringing all his men together for a meeting.

Says another sales executive: "It's just like meeting around a table, except that it seems people get to the point faster. We've found that telephone conferences make for better teamwork between the people at the head office and the men in the field."

Other Methods

There are other long distance methods that the telephone company can offer to aid and abet the man on the road.

One is a Bell System credit card, which is honored at any telephone in the U.S.—public, business or residence—and can be used to call just about anyone anywhere in the world, even aboard ships at sea.

Credit card telephone calls are charged to the telephone number for which the card is issued. A monthly itemized statement provides an immediate record of a salesman's activity when it comes time to measure his mettle.

In most cities, the telephone company offers a rate book showing long distance charges to other key cities. And in most cases, special toll rate rundowns and references will be prepared for anyone who requests them.

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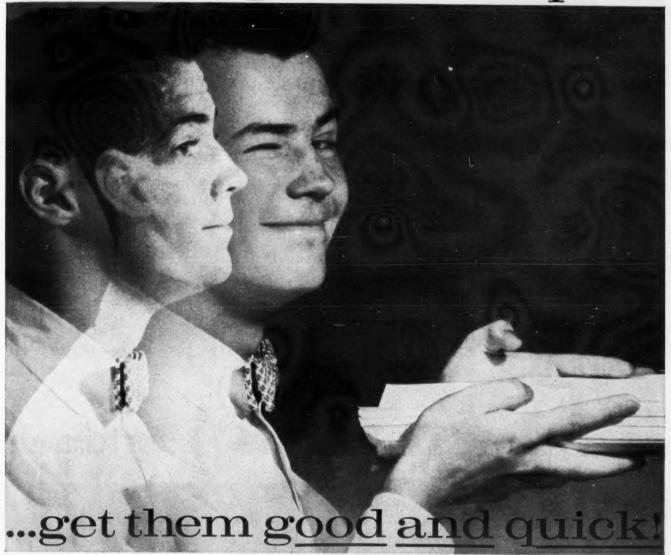
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(Circle number 174 for more information)



Thought starters

MANAGEMENT

New working tool for supervisory management

Management Information is a new periodical with case-supported suggestions on all phases of managerial duties. Published weekly by Elliott Service Co., Inc., the service emphasizes the how, why and where of improving supervision methods.

Forty easy-to-read, illustrated bulletins treat such subjects as cost and waste control, human relations, accident prevention, employee training. Six special studies cover development of such skills as judging people and report writing. Every other month data books are issued to assist the supervisor in more effective planning.

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For more details and quantity prices on this weekly publication for supervisors, circle number 286 on the Reader Service Card.

BUSINESS FORMS

Form typing speeded by conductive ink rules

New purchase order forms that require 10% to 20% less typing time than the ones they replace are being used by Oklahoma Gas & Electric Co.

Time saving feature of the forms, designed by UARCO Inc. is the electrically conductive ink of the vertical rules. An IBM electronic tab typewriter senses the conduc-

save time and money... ship via lo



"DATATRONS" CROSS U.S. IN NORTH AMERICAN VANS

High-speed electronic computers made by Electro-Data Division, Burroughs Corp., travel door to door uncrated in smooth-riding North American vans. Left, unit being loaded at Pasadena plant. Right, "Datatron" ready to go to work. (North American recently moved entire Electro-Data Division to new 40,000 sq. ft. plant in California — another widely used industrial service offered by the world's leading van line!)



"America on the Go"
Hear Alex Dreier's
Salutes to Industry—
Every Sunday Evening,
6:05 P.M. New York Time NBCMonitor



DOOR-TO-DOOR DELIVERY ... UNCRATED ... HIGH-VALUE PRODUCTS ... EXHIBIT DISPLAY ELOCATI

62

tive ink rules and automatically positions the carriage.

Typists formerly had to adjust 12 different tab stops each time they switched from one of three different purchase forms used daily by this utility.

For more details, please circle number 303 on the Reader Service Card.

Six-part form provides returned goods control

Reinhart & Co., publishers, has established complete control over returned merchandise by use of a new snap-apart credit memo designed by Stephen Greene Co. The six-part form could be adapted to any business that ships merchandise on consignment.

Besides the usual copies for the customer and salesman and for accounting and statistical purposes, the form also produces a return label and a copy for the publisher's warehouse. The latter copy is checked against the actual goods returned.

NEW PRODUCTS

Two-way radio housed in attractive cabinet

General Electric has designed a new two-way radio base unit to



New two-way radio unit is styled to harmonize with office furniture.

complement office furnishings. Called the Desk-Mate, the system allows office personnel to coordinate operations of supervisors and workers traveling in cars and trucks.

New regulations of the Federal Communications Commission now make most U. S. business firms eligible for use of such mobile communications equipment.

For more details on this radio unit, circle number 284 on the Reader Service Card.

New intercom-radio system is low in cost

A combination background music and intercommunication system has been introduced by Continental Manufacturing, Inc. Complete systems range in price from about \$90 to \$180, depending on the number of remote stations required. Installation involves only simple three-wire hook-up.

All intercom functions can be ac-

North American Van -

DOUBLE-CHECK THESE ADVANTAGES:

Eliminates costly crating, uncrating.

ELOCATED OFFICES AND LABORATORIES

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Prompt pickup, fastest service anywhere.

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He's listed in the Yellow Pages under "Movers." Or send coupon below for details of High-Value Products and other North American specialized industrial services, and "Wife-Approved" moves for transferred personnel. North American Van Lines, Inc., World Headquarters, Fort Wayne, Ind., North American Van Lines Canada, Ltd., Pickering, Ont.

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⁶Impact-O-Graphs placed with products shipped via North American van showed far less shock and jar than other methods of transportation. Coupon brings report of findings. complished while music is being played through any selected group



Intercom system provides choice of music, conversation, or both at once.

of stations. Two-way conversations can be heard up to 50 feet away from any or all stations. Volume control permits selection of privacy or call position.

Master stations include either AM or AM-FM radio and provision for attaching a record changer. Remote stations can be placed on a desk or wall mounted.

For more details on this intercom system, circle number 285 on the Reader Service Card.

Preparing duplicating masters made easy with new scope

Superscope is a new device to simplify copy preparation for all of-

fice duplicating processes. Introduced by The Heyer Corp., the scope provides the proper diffusing glass surface and completely adjustable light for drawing, lettering, ruling and writing on all stencils, spirit and gelatin masters and paper offset plates. Among other things, it serves as a light table for retouching negatives.

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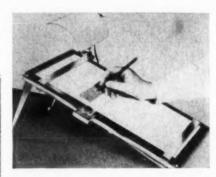
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William

HOW

OCTOBE

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Light on the all-purpose scope can be positioned above or below the glass.

for the desired working angle. Portable, the unit can be folded flat when not in use.

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PAYROLL

Change in payroll period nets \$1,500 annual saving

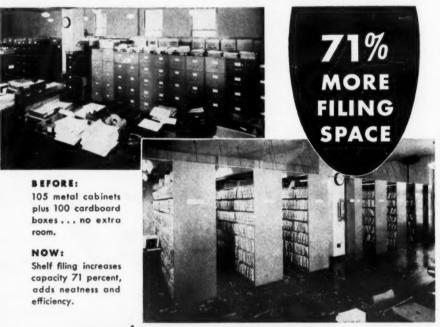
A study made by the Springdale, Ark., plant of the Welch Grape Juice Co. showed teletype costs of about \$10 a week for transmitting payroll data to the general office in Westfield, N. Y.

To reduce these teletype costs and assure delivery of paychecks on payday, Friday; this system was instituted by Plant Accountant E. J. Bogucki:

1. The payroll week was changed from a week ending 7:00 a.m. Monday to a week ending 7:00 a.m. Friday.

2. Time cards are mailed directly to the general office on Friday evening, assuring delivery to the general office on Monday morning.

3. Time cards are processed by the home office, and checks



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THE DECISION-MAKERS, by Richard R. Conarroe, editor of MANAGEMENT METHODS magazine

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WILLIAM BURGESS of Electronic Specialty Co. faced a profit route that was too slow, too narrow. He pruned and probed, resteered the firm, applied "big business" methods of finance. Result: sales moved up by millions of dollars.



ARTHUR LEWIS of Hawaiian Airlines gambled a promising future, took over a sputtering business that was in a nosedive. Soon he had the business humming and had pushed the company through the barrier of its limited market.



CHARLES PERCY of Bell & Howell was hobbled by a maze of detail, fumbled his biggest job-planning ahead. Then a new profit planning strategy was evolved, covering every company program. Sales and profits began to double and redouble.

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THE DECISION-MAKERS GIVES YOU PRACTICAL IDEAS and methods you can apply in your own business right now. For example: how to create tomorrow's sales now...how to predict and reach distant growth goals...how to build a management staff...how to handle public and private finance...how to train a college recruit . . . how to win cooperation from your union . . . how to work hard without ulcers . . . how to use management committees . . . how to finance an R&D program . . . how to get a new plant with no capital outlay.

Together with narrative case histories, THE DECISION-MAKERS contains actual question-and-answer interviews with some of the clearest thinkers in the management arena — men like Lawrence Appley of the American Management Association. The book is based on the now famous series "Profile of a New Kind of Manager," in Management Methods magazine. Many of the profile case histories have been

expanded; some have never before been published.

PARTIAL LIST OF CONTENTS

An interview with Lawrence A. Appley of American Management Association-

HOW TO BE A PROFESSIONAL MANAGER

Willard F. Rockwell, Jr. of Rockwell Mfg. Co. HOW TO GROW BIGGER BY STAYING SMALL

Robert A. Weaver, Jr. of The Bettinger Corp. HOW TO MAKE A BUSINESS GROW

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HOW TO PROFIT IN FOREIGN MARKETS

Lewis H. Glaser of Revell, Inc.

HOW TO CONTROL A MUSHROOMING BUSINESS

Horace D. Gilbert of Miniature Precision Bearings, Inc. WHY HE TURNED TO PRIVATE FINANCE

William W. Shannon of Servomechanisms, Inc. **HOW HE RUNS TOMORROW'S BUSINESS**

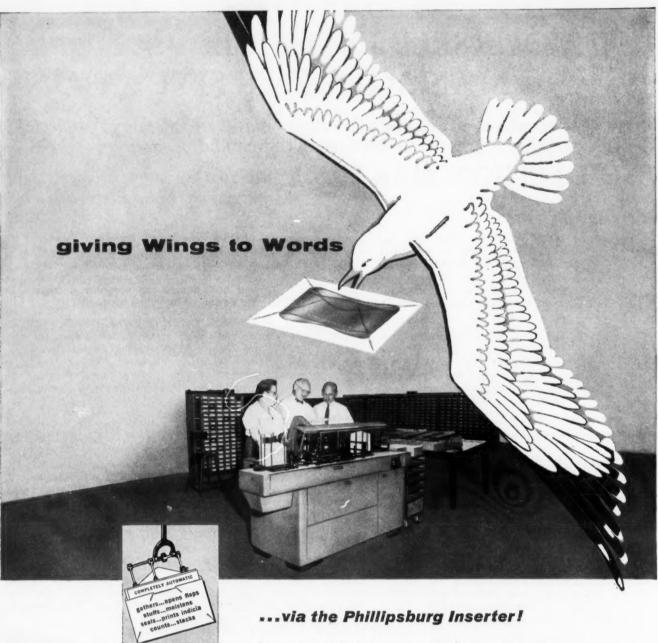
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mailed Monday evening, and received at the Arkansas plant Wednesday morning.

A cost study after the change was made showed a net reduction, including clerical costs, of \$1,500 a vear.

FIRE PROTECTION

Five-job sound system has built-in failure detector

At Ford's Lincoln assembly plant in Wixom, Mich., both a fire alarm and paging systems were needed. Fire underwriters' specifications required provision for detecting system failures.

Industrial Communication, Inc., an RCA sound distributor, designed a constant-check system answering these requirements. It automatically transmits a 20,000-cycle supervisory signal over 15 miles of wire to 400 vital locations at 15minute intervals. Any equipment failure is signaled and identified in the plant-protection office. Standby amplifiers immediately take over the job until repairs can be made.

While its fire alarm duty is its most important function, the sound hookup also does these chores:

1. Pages key plant personnel with coded signals.

2. Ties in with master clock and programming system to signal shift changes and lunch periods automatically.

3. Provides plant-wide public address system with microphones at the telephone switchboard and in the plant protection office.

4. Furnishes background music in the plant cafeteria.

SUPPLIES

Self-service system for supplies saves time

Detail and paperwork plague many engineers, scientists and other professional people. MM reader Howard M. Duffy reports this plan used by the U.S. Army Signal Research and Development Laboratory, Fort Monmouth, N. J., to reduce the volume of such nonprofessional chores:

Self-service supply centers have been set up at convenient locations in the laboratory. These "supermarkets" are stocked with thousands of items such as batteries, transformers-even office supplies. Using handy market carts, engineers select

any item they wish from open displays. The only paperwork required is marking the project number on an electrical accounting machine card in back of each bin, to inform the accounting department. No other forms are required-not even a signature.

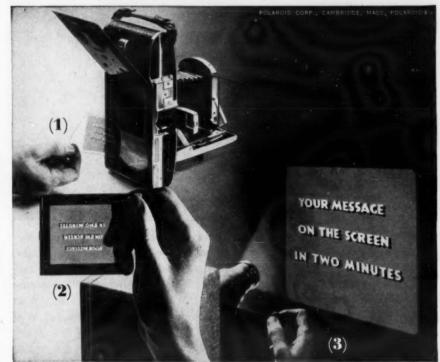
Besides saving considerable professional time, this system has reduced purchases, obsolescence and cost per item. Now professional personnel no longer need to order items that may be required for an experiment, but can immediately draw just what is actually used directly from the supply source.

PERSONNEL

Moving? Avoid problems by recruiting first

Hagan Chemicals & Controls, Inc. Pittsburgh, had minimum clerical personnel problems when it moved to suburban headquarters. A recruiting program was worked out well before time with five schools in the new location. Net result: 23 qualified secretarial candidates hired and indoctrinated before the move.

About four months prior to the



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scheduled move, company officials spoke at each school in general assemblies and senior business classes and before other interested groups. Topic of each talk was what the firm had to offer the graduate. Nearly 200 applications resulted.

On a second visit to each school, applicants were interviewed, tested, and faculty recommendations reviewed. Finalists were invited to downtown headquarters and also given an intensive one-week orientation course at Pittsburgh Business Training College.

According to Personnel Director R. C. Cibella, the program shortcircuited personnel turnover problems and minimized the critical breakin period.

OFFICE LAYOUT

Linoleum pattern simplifies rearrangement of furniture

Planning rearrangement of desks and equipment used to take a good deal of time and drafting equipment at Connecticut General Life Insurance Co., Hartford. Now this task has been simplified in its new building. Detail strips inlaid in the linoleum floor tile, conforming to modular lines, mark off six-foot square areas.

Using one-fourth inch to one foot plastic templates of furniture, variations of layout are now easy to plot on semi-transparent overlay paper preprinted to the same scale. With this system, it's a simple job for anyone required to plan a new layout for a small or large area, says Reader Torger A. Siqueland.

TRAVEL SERVICE

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Executives who fly Capital Airlines' VIP flights now have a recording machine at their beck and call. As an answer to the bulging briefcase, each plane is equipped with a battery-powered Dictaphone Dictet.

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How to make decisions scientifically

Profit hinges on sound decision-making. The simple method described here can sharpen your decisions. Although statistical in nature, you can use it by merely adding and multiplying.

by Jules Sloat

Management Consultant, New York

Here is a scientific method of decision-making—a method that can help you select the best possibility from a series of various choices.

It is a simplified version of the ranking and statistical weighting technique. And it is a method that can be applied to an endless variety of decision-making problems, from selecting the best candidate for a job to estimating the relative value of various management goals.

The method involves two primary steps:

First, systematic ranking of the various factors which will influence the final decision.

Second, systematic weighting of the comparable factors contained in each choice.

To illustrate the method of action, here is a hypothetical example.

A manufacturing firm has just developed a new product and plans to produce it in one of two different types. The company's management faces the problem of deciding which of the two types is likely to sell best.

The first step toward making this decision involves pure management judgment. The management group must be able to pin-point specifically the major elements in the product that will influence its sale.

For purposes of this example, assume that these are the four elements that management believes will influence sales:

A. Style

B. Price

C. Color

D. Material

Now the company's management must pool its judgment to rank these elements. In other words, elements A through D must be aligned in the order of their relative importance. To keep the example simple, assume that elements A, B, C and D are presently in their proper order of importance from a sales point of view.

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The next step is to assign initial weights to each element—numerical weights that reflect the relative importance of the four elements.

Assume that the manufacturing company weights the four factors as follows:

A equals 1.00

B equals .70

C equals .60

D equals .60

Now, to refine this weighting, a

Element	Weight	Product 1 Score	Product 2 Score	Product 1 Weighted score (wt. x score)	Product 2 Weighted score (wt. x score)
A	.51	5	3	2.55	1.53
В	.25	7	4	1.75	1.00
С	.12	4	9	.48	1.08
D	.12	3	6	.36	.72
				5.14	4.33
		F	igure 1		

series of successive comparisons between the four factors must be

For example, is element A more important than B plus C plus D, or is A less important than the other three together? Whatever judg-ment is reached, the initially assigned weights must be adjusted accordingly.

Suppose that in this case element A is more important than all the other three together. If so, then A's value must be made greater than the combined value of B, C, and D. The weight assigned to A, therefore, is increased from 1.00 to 2.00.

Next, element B must be compared with C and D. Assume that in this case B is considered to be equal in importance to C plus D. If so, then the value for B must be adjusted to equal the combined value of C and D. This means that B's value must be increased from .70 to 1.20. However, this change makes it necessary to again increase the value of A, from 2.00 to 2.50, since it was previously established that A is more important than B plus C plus D.

The same kind of comparison and adjustment must be made for the remaining elements in the decision problem. In this case, since C is considered to be equal to D, no additional adjustments are neces-

For convenience, the weights are now reduced in size while maintaining the same relationship to each other. Since the four weights together equal 4.90, this reduction process works out as follows:

A. 2.50 divided by 4.90 equals .51 B. 1.20 divided by 4.90 equals .25 C. .60 divided by 4.90 equals .12

D. .60 divided by 4.90 equals .12

1.00 4.90

Bear in mind that these quantative figures are an image reflection of management's insight and judgment of the relative importance of the various factors.

These final numerical weights will be used to determine which of **ABOUT** THE **AUTHOR**



Jules Sloat is a management consultant specializing in procedures, planning and development of administrative policies, and the application of budget and accounting facts for management decision-making. He has recently developed a unique data processing system for a large eastern trucking company.

the two new product types is likely to sell best.

To reach that point, however, management must first "score" each element of each product type on a qualitative basis. A score of from 1.00 to 10 is assigned to each factor, the higher scores representing higher quality, with 10 representing the highest quality. This step again calls for pure management judg-

The qualitative scores can be set up in a table as shown in the lefthand section of Figure 1.

Next, the quantitative weight factor for each element is multiplied by the qualitative score factor for each product type. The result is a series of weighted scores as shown in the right-hand section of Figure 1.

Finally, the weighted scores are totaled for each of the product types. The two totals will then indicate which of the two new products is likely to sell best. In this case, Style 1 will be selected since its weighted score (5.14) is higher than the weighted score for Style 2 (4.33).

As stated at the beginning, this method of applying management judgment within a framework of scientific method can be adapted to practically any decision-making situation where two or more possibilities are available and where each possibility consists of a series of elements that can be ranked in relative importance. The chief benefit of the method lies in the fact that each element is judged and weighed separately.

HOW MUCH to make or buy

WHEN to make or buy it a practical man's approach to



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by W. EVERT WELCH, Director of Purchasing, Aeronautical Division, Minneapolis-Honeywell

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FOR PRESIDENTS ONLY

Are <u>you</u> at fault when the team won't work?

Unwittingly, you may be stunting the desire of subordinate executives to do a better job. Paradoxically, the problem may lie in those qualities of yours that have brought you to the top. Here's how to remove this hobble and release more management power in your company.

Recently the president of a large corporation let his hair down.

"My executives," he said, "are well paid, have status in the company, and can look forward to security for themselves and their families. But doggone it, I can't get them to do more than what the job says—they won't extend themselves."

Subsequent interviews with some of the executives in question proved everything the president had complained about—with one additional factor. Members of the management group were asked how they felt about the president himself. On the work level, the responses were all highly positive. The men felt the president was an extremely competent production executive, a shrewd financial negotiator, a marketing phenomenon. But when we asked about their own relationship with him, we found an interesting set of answers.

A number of men thought the president felt he could do their jobs better than they; that he was prodding them in their jobs; that he seemed to be so "omnicompetent" that they felt inadequate at times. These, remember, were attitudes of a management group. Whether the president actually manifests these characteristics or not, attitudes can become real in terms

of a man's behavior on the job.

Individual sovereignty

Large company or small, whether we talk about the president and his top management or a first line su-

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OCTOR

by Aaron Feinsot

Director, Office of Special Services to Business and Industry New York University

pervisor and his men, there is one key to a mature atmosphere in an organization where each man is encouraged to extend himself to his potential. It is a recognition of the sovereignty of the individual.

How can a manager provide individual sovereignty, you may ask, when he bears such a burden to see that things get done (a product is produced), and that the organization is maintained (financially, procedurally, and emotionally)? The answer is this: if the boss conceives of all this as his own job, he is lost.

If, however, he sees his job as creating an atmosphere where things get done and the organization is maintained, this is a realistic position. The difference between seeing that the job gets done (control) and making it possible to get it done (planning and initiating) can not only change the manager's role but satisfy some of the needs for self respect of each employee down the line as well.

A while back the president of a middle sized company, on hearing this, said, "All right, I'll buy that. Let's get started and train my management to effectively take some of these responsibilities I am carrying." A good response, but not yet true to the mark.

Effective rewards

You don't start with the other fellows. You start with yourself. The mature organization requires mature leadership. Once the real leader selects a man to do the job, he believes that the job belongs to that man to make of it what he will, within the limits of policy control. The superior offers encouragement and advice when it is needed, and promotes a system of effective rewards.

At this point the same president said, "I'm 'way ahead of you. This is already being done—I let the fellows know when they are doing a good job, and they participate in a stock option plan that can't be beat. Since this is a family controlled company, the



ABOUT THE AUTHOR

Aaron Feinsot has been director of the Office of Special Services to Business and Industry at New York University for the past three years. In this capacity his responsibilities include the development and supervision of in-company training programs ranging from engineering to general management. He is also a consultant on organization and communication, working with such companies as Sylvania Electric, Socony-Mobil, the Tennessee Valley Authority, Kenyon and Eckhardt, Inc., and Prentice-Hall, Inc., among others. He has worked with industrial and governmental groups in Europe and South America.

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residual stock available makes executive stock participation even more important."

We checked this with the other executives and came out with this perception: the president's "encouragement" was interpreted as pressing, and the stock participation plan was important only to about half the men.

Creativeness-flexibility

Earlier we had asked the president to assess the value to the company of each of his executives in terms of a creativeness-flexibility criterion. For the most part, the men who were high in creativeness-flexibility, according to the president's point of view, felt the stock option plan was relatively unimportant to them. Almost all the men who thought the stock option plan was an important factor in their identification with the company were in the lower portion of the president's list of creative and flexible members of the firm.

It seems there is a positive correlation between flexibility and self confidence. Stock options are not as important to the high flexibility scorer since he feels secure that he can satisfy his financial needs any place he works. Moreover, he is good enough to work elsewhere. The kind of participation that is more important to him is free decision-making power on the job.

Since the president rated a number of his executives high on the creativeness-flexibility scale, we asked these men what they wanted from the president. Unanimously they indicated that they wanted him to understand what they were trying to do on the job. They did not say they wanted approval; they wanted him to have enough information about their work so they could get a proper priority in the policy decisions the president influences.

They also indicated that they wanted clearly defined company policy and procedures. One man put it this way: "I think this is the difference between the president as 'leader' and as one who provides 'leadership.' We do not want him to *show* us the way, but we do ask that he see to it that broad policy and procedures are made and communicated to us. We can take it from there."

Most chief executives would be delighted to hear words like this. And yet there is always the anxiety about whether the men actually *will* do the job, and do it the way you would like to see it done.

This is where the president starts making mature decisions about himself and his willingness to let other people grow. He must ask: How willing am I to let people assert their own sovereignty, and how much of this sovereignty must they give to me? Am I ready to believe that a man has the moral right to meet his potential, rather than my expectation of his potential?

This simple starting point can make a great deal of difference in providing the kind of leadership that people seek, and in drawing from them the willingness—even the desire—to extend themselves in their jobs.



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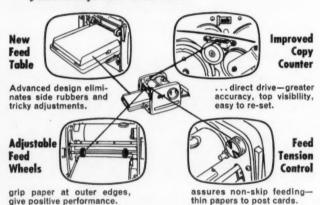
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Book reviews

How to measure market research

Modern Market Research, by Max K. Adler. Philosophical Library, New York, 1958. 295 pp. \$4.75.

This book is written for the business executive who wants to know if market research will solve his problem, and for the man who has already decided but wants to know what to expect. It offers a thorough discussion of the entire subject, with how-to chapters on sampling, interviews, surveys, motivation research, advertising research, internal research, data processing and questionnaires.

Sourcebook on plant operation and maintenance

PLANT ENGINEERING PRACTICE, compiled from articles in Plant Engineering. F. W. Dodge Corp., New York, 1958. 694 pp. \$18.50.

This reference book is a real working tool for plant engineers and industrial executives. It presents in practical fashion the solid, useful experience of over 100 experts in plant engineering.

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How to control office costs

INTEGRATED COST CONTROL IN THE OFFICE, by Frank M. Knox. McGraw-Hill, New York. 1958. 304 pp. \$7.50.

Practical techniques for reducing and controlling costs in the office are reviewed in this latest volume in the National Office Management series.

Methods presented have been tested in organizations of varying sizes and types. The book tells how to organize a systematic program and integrate individual efforts of the entire staff.

Factors covered include control over forms, methods and procedures; clerical work measurement; work simplification; automation; and record controls. your company is judged by the office you keep!

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78

MANAGEMENT METHODS

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ОСТОВ

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Showcase office at \$3.65 per square foot

PROBLEM: A small organization has outgrown its office, needs bigger quarters in a central location, but can't afford the rents in new buildings.

SOLUTION: Ample space in a centrally located old building is leased at low rent, then completely revamped and redesigned to make it look like new. Pictures on these pages reveal the appeal of this economy office.

Like many other growing organizations, the Wood Office Furniture Institute, Washington, D. C., was faced with a restricted budget but the urgent need for bigger and better quarters.

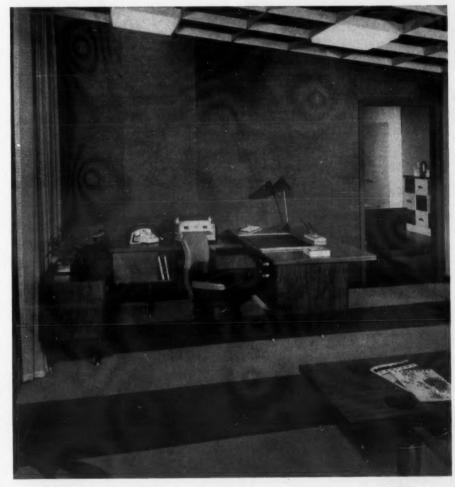
In its search, WOFI quickly discovered that new space in choice locations carried a rental of \$5 to \$7 a square foot. Since these prices were too rich for their budget, WOFI officials turned to an obvious alternative—old space.

After a thorough search, one old building was found that seemed to offer some disguised possibilities. It was centrally located. The square foot rental was only \$2.68. And there was ample space.

But these ancient quarters were drab and dingy, with inconvenient layout, 11-foot ceilings, old fashioned radiators, exposed electric cables, badly spaced windows, sagging floors. All these and other faults indicated a major overhaul of the premises.

Hugh Pettibone of the Marble Design Center was called in. His master modernization plan was accepted, a contract price set, and the total cost amortized over a five year period. It was found that on this basis, completely revamped quarters, with rent included, would come to a total of only \$3.65 per square foot.

Work began. Walls were torn



Wood veneers pattern the U-shaped desk in the main reception area of the Wood Office Furniture Institute. Carpeting of wide-striped pumpkin and beige, charcoal silk wall covering and tailored white drapes are dramatic with wood tones. Angled eggcrate ceiling gives excellent lighting and lowers the unusually high ceiling

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out, partitions removed, doors blocked off. In came air conditioning, baseboard heating, tiling. From the architectural hodgepodge, seven striking offices on 1,775 square feet of floor place took shape.

In the main reception area, canted eggcrating brought the towering ceiling down and framed the lighting fixtures. In private offices, wood panelling and wall paint colors stopped short of the actual ceiling to give a lowered effect. Awk-

ward windows were camouflaged with wall-to-wall drapes. Scarred floors were concealed with carpeting. Walls not panelled or painted were treated with silk or grass cloth. And, of course, the most functional and attractive wood office furniture was installed to complete the striking decor.

Today, Wood Office Furniture Institute headquarters is a show-place. Besides, it is a practical and efficient office that puts no strain on its budget.



Walnut is used in this reception area for both wall panelling and L-shaped desk and credenza arrangement. Carpeting is beige, the drop lamp white. The desk chair adds a bright touch of cerulean blue. Sculptured curves of the desk's back panel emphasize simplicity of the basic design. Brass accents the slim legs.

This drab shell shows an area before the construction crew and decorators started complete modernization of WOFI offices.



(Circle number 136 for more information)

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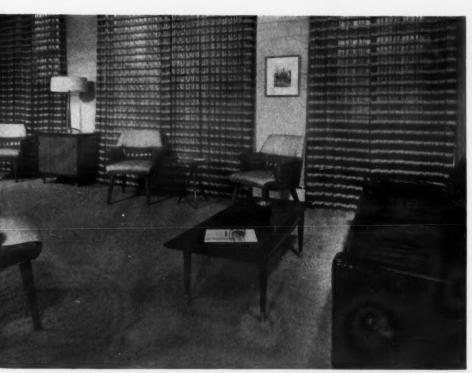
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Beautifully striated walnut table is center stage of the conference room. Chairs with curved arms repeating the graceful lines of the table are upholstered in turquoise canyon cloth. Walls are covered with a soft blue-green grass cloth, while carpeting is a rich mocha. Opaque draperies are white and simply cut.



Here, in the executive director's office, one section of the large room serves as an informal discussion area. An awkward window arrangement has been given distinction with drapes of white, black and gold thread woven through strips of walnut wood. Gold is the color of the carpeting, and tangerine is used for accent.

MORE PICTURES ON PAGE 82 ▶



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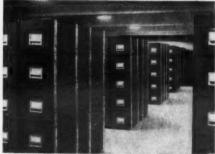
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Low cost office (Continued from previous page)

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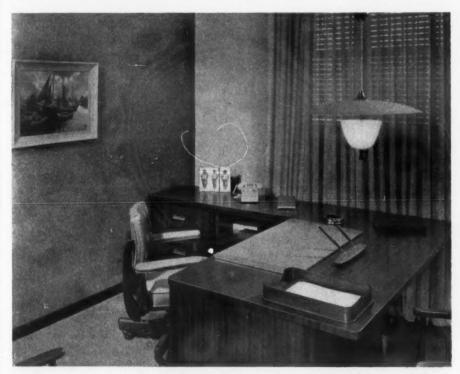
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In the comptroller's office, walnut is used in the free-form L-shaped desk, in the chairs and a turquoise rug all give vitality to the room. Panelling and wall paint stop two feet short of the 11-foot ceiling, creating effect of a much lower room.



Coppertone carpeting and a cork tiled wall provide a subdued background for a walnut L-shaped desk arrangement in this administrative assistant's office. Side chairs are covered in ivory fabric, while the desk chair has an ivory back and a gold grospoint seat. Simple, tailored, opaque draperies are white with gold thread.

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How to handle a real estate broker

When you are looking for new office space, the kind of broker you use and the way you use him will often influence costs greatly. To help you sidestep pitfalls, here are excerpts from an interview with Julien J. Studley, who heads his own real estate leasing firm in New York and is also a partner in Freidin-Studley Associates, architectural and space planners.

Q. When you're looking for new office space to lease, what is the best way to go about it?

A. For one thing, assign an executive-in-charge who can handle the preliminary decisions leading up to the final selection of the new space. This will save the top executive considerable time. Then retain the services of a qualified real estate broker who is experienced in office leasing.

Q. Do you have to make any financial commitment to the broker to make sure you get a good one?

A. No, the broker receives a commission from the owner or landlord of a building after a lease is signed. You have no financial obligation to him.

Q. Well, then, how do you select a broker you can be sure will look out for your interests?

A. First, be sure you recognize the difference between building agents and brokers. Agents often represent specific buildings and landlords. They are not primarily interested in finding the best and most economic space for a client. Their job is to lease specific space in a building which they represent. Because the cost of office space has become so high, it is more and more important to make sure you get exactly the right space for your needs. That's why some brokerage firms

specialize solely in searching for and negotiating office space in behalf of corporate organizations.

Q. Which is better—to work with a number of brokers or to retain the services of just one.

A. Working with an exclusive broker offers more advantages. Once you find a qualified broker who demonstrates that he is seriously interested in your own specific needs and problems, make an agreement with him that if any new space is leased it will be leased through him. Again, this entails no financial obligation to you. But it does offer you protection. When the broker has the assurance of earning a commission if you lease space, there is no necessity or temptation for him to make a fast deal or for him to make a deal in any particular building or location.

Q. When you have signed up an exclusive broker, specifically what services should you ask for?

A. Basically, the broker should be expected to provide you with a thorough and careful analysis and report of all suitable office space in the location where you might want to move. You should expect a report on all new construction in the area as well as on existing space. In each case, the broker should be expected to give you his recommendations on the space. And most

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Realtor Julien J. Studley

important of all, he should give you expert and dependable advice that will help you make a final selection.

Q. Does his service end there—after the space has been selected?

A. No. The most important part of his job begins then. Realistically, a lease is a compromise between the needs of the company renting space and the real estate owner. It's the broker's job to see that the best possible deal is arranged for the tenant within this compromise structure. It is an error to think of leases as rigid structures.

Q. Despite what you say, can't the company make just as good a deal for itself in lining up office space as the broker can make for it?

A. Experience shows that it is dangerous to try. The broker has specialized experience and information. He is able to get more facts because he spends all his time at it. He can realistically interpret information that might be misleading at face value to the company manager himself. The broker probably knows the owner's negotiating tactics and his prejudices. He knows the weaknesses in the arguments of the building owners, and he knows their strengths. It's been proved time and again that a broker, particularly an exclusive broker, can get the best space for you at the least over-all cost.

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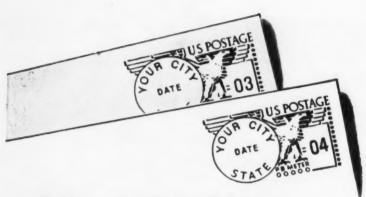
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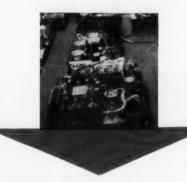
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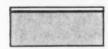
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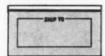
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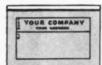
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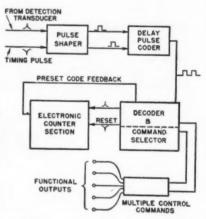


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As a gauge of the speed of the IBM 88 collator, a sales analysis card merging job that took eight hours to complete with an earlier model now takes only three hours with the new unit.

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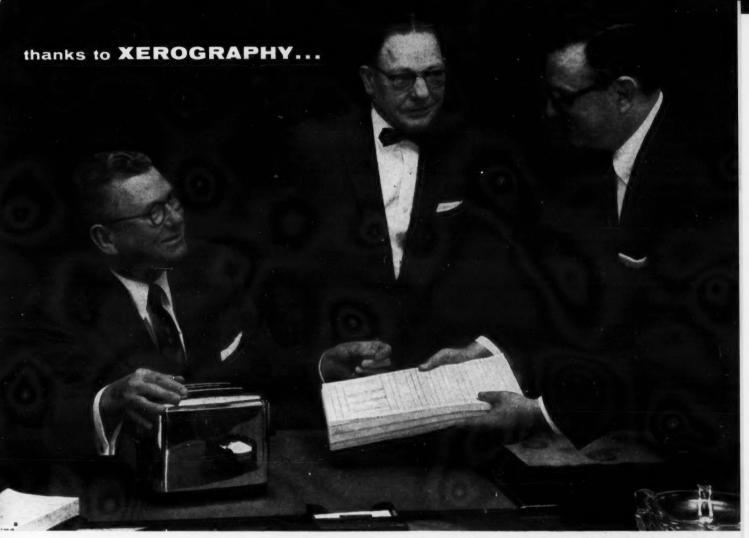
Collator arranges cards in sequence 2½ times faster than earlier models.

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George Malone, right, supervisor of xerography department at H. L. Green Company Inc. places copies of quickly prepared sales bulletin before S. E. Williamson, seated, Green's vice-president in charge of merchandising, and Fred E. Myers, sales promotion manager. Multiple copies of bulletin were run off on offset duplicator from inexpensive offset paper masters prepared in three minutes by xerography.

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HALOID

half, it was a moral victory, especially since HAL was crippled that year by a drastic reduction in its mail rate allowance.

But more than moral victory was needed now. The job at hand was to convert net losses back to net profits.

THE ANSWER

Lewis surveyed the problems entrenched before him and assumed a realistic attitude toward them.

He admitted realistically that there was nothing he could do about the company's market limitation—for the moment at least.

He admitted realistically that the competing airline, TPA, had come into the picture largely due to HAL's own mistakes in the past. But the competitor was there and deserved to be recognized and reckoned with.

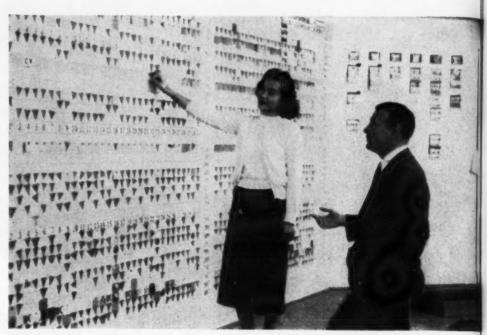
He admitted realistically that, having lost nearly a third of its business volume to the competition, HAL would be fighting a costly, uphill battle to try to win it back. Right now the company didn't possess the capital with which to undertake such a campaign. It would have to settle for a staying action that would block further inroads into its business.

But Lewis did see one weak spot in the lineup of problems before him. It was the problem of costs. He knew he could make a break-through on that problem with positive action now.

He decided to strike out against HAL's rampaging costs by using the weapons of financial and operating controls that he had learned to handle with skill while at American Airlines. Financial controls. Hawaiian Airlines had never had a real budget before. Lewis had to start from scratch. Working with Vice President Brian Cooke and other members of the treasury and accounting departments, he started by hammering together a rough hewn, short range budget.

Gradually, the budget was refined and re-refined. The final result was a one-year budgetary control program of excellent strength. Instead of quarters, the budget is broken down into three operating periods a year, in line with the seasonal nature of the business. Recently, this one-year budget was supplemented by a perpetual three-year projection of capital requirements.

The launching of a budget program at HAL had the expected effect: cost reduction began immediately and almost automatically. With Lewis pressing the lid down tight, department heads and supervisors were forced to cut fat. But the budget program had



Flight operations were planned and scheduled on facts, not just on guesswork.

an even stronger effect than that: it forced administrative people to apply their creative thinking to the task of getting more output with less resources. The net results were lower overhead and higher efficiency.

Facts vs. guesswork. As the new budgeting program took shape, it also brought about lower operating costs. Reason: the budget system set the stage for tighter operating controls.

Before Lewis joined Hawaiian, the company had attempted to offset the effects of its shrinking business volume by cutting the number of flights. Results had been disastrous: loss of still more business occurred.

Despite the company's earlier experience, Lewis felt certain that the flight schedule—and thus operating costs—could be trimmed without any real loss of business. The answer, he said, was to plan the new schedule on the basis of facts—not just guesswork.

Partly as a means of getting the facts needed for optimum flight scheduling, Lewis undertook to revamp HAL's system of management reports. Some existing reports were redesigned. Other, useless ones were thrown out. Concise new reports were added.

Reporting procedures were speeded up, to get the right information into the right hands at the right time. And, whenever possible, reports were simplified and designed to contain "builtin analysis," so that the executive receiving the information could spend as little time as possible in drawing the proper conclusions from it.

Lewis and his management associ-

ates saw to it that every significant activity of the company was adequately documented in records, charts, indexes, and comparisons. Charts were begun on all pertinent economic factors affecting the business, and available figures on the competing airline's operations were set down in graphs.

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By analyzing the wealth of current and concise information that began to flow out of the new reporting system, specific reasons for the operating loss could be pinpointed. The facts and figures showed clearly that too many plane miles were being flown in relation to the total number of passenger miles. Simple mathematics showed that HAL was scheduling too many extra sections, *i.e.*, special added flights on weekends and at other peak periods. Other operating inefficiencies were also brought to light.

Based on the new facts available, a completely new system of scheduling was devised. The new system took the gamble out of scheduling, and replaced it with a sales risk that was carefully calculated.

A top level committee was formed to launch the new flight schedule, and police its cost efficiency.

Results. Lewis had begun nailing down costs at HAL in 1955, soon after he arrived. But it was not until the next year that his budgets, reporting system, improved schedules and other management controls had been refined to the point where they began to produce their best results. In 1956, the results were significant.

A few comparisons between 1954

and 1956 reveal the extent of the improvement. For example, in this two-year period:

■ Number of employees decreased 3%.

■ Number of plane-miles flown decreased 5%.

■ But the number of passenger-miles flown increased a profitable 16%.

■ Over-all operating costs had been slashed, despite wage and salary increases for all personnel. Example: operating costs per revenue ton-mile were reduced from 89.4 cents in 1954 to 77.7 cents in 1956. (Comparative figures for HAL's competitor: 98.9 cents in 1954; 99.7 cents in 1956.)

The most significant fact of all was that Lewis' program of management controls gave the company a profit in 1956 for the first time in four years. It was a small profit—only \$77,000—but it represented the break-through that Lewis had set as his goal.

Now the job was to improve the profit, and this brought into focus the question of HAL's sales appeal.

Organizationally and cost-wise, HAL had become competitive. But from the point of view of sales appeal, the competitor still held the edge. HAL had to make its "product"—interisland transportation—more appealing to customers.

PROBLEM NUMBER 3:

How to give a business more sales appeal

HAL plays up its strongest sales appeals, invests in them to make them stronger.

■ Customer bitterness toward Hawaiian Airlines developed during the war and worsened thereafter. The reason was simple: HAL personnel were permitted to continue lax, shouldershrugging attitudes developed under wartime controls.

Some of management's own actions made matters worse. For example, a meaningless no smoking rule was strictly enforced on all flights.

As a result, when Arthur D. Lewis took over HAL's management controls in 1955, the company was viewed by outsiders as a cold, impersonal, officious organization.

In contrast, Trans-Pacific Airlines, HAL's competitor since 1949, had managed to establish a warm, friendly personality for itself. Thus the young airline wedged deeply into the older airline's business.

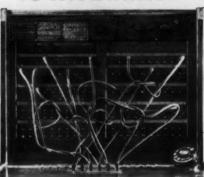
HAL, however, did possess two advantages which might have served as sales builders—but didn't:

First, the company could (and still can) boast a faultless safety record, with never a crew or passenger fatality. But this fact had hardly enough weight to counter-balance the many negative aspects in the airline's customer relations.

Second, while TPA was flying only DC-3s. HAL had beefed up its fleet with faster, smoother riding CV-340s. But TPA had skillfully undertaken to



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mitigate the attractions of the CV-340s, claiming them unsuitable for interisland use, a charge echoed by the CAB.

Thus, when Lewis joined Hawaiian Airlines, he found that lack of sales appeal was one of the company's key problems.

THE ANSWER

Lewis took some immediate steps to make travel by Hawaiian Airlines more appealing. The vital need for courtesy and service-mindedness was driven home to reservations clerks, check-in personnel, stewardesses, and others. The no smoking ban was thrown out. Reservations offices were kept open longer.

Later, more extras were added. An ex-stewardess was re-employed at the Honolulu terminal to assist elderly passengers and mothers with children. Orchids were given to women passengers. Refreshments were served in flight while stewardesses gave hula demonstrations. Studies were begun of more efficient office equipment systems to speed reservation and check-in procedures.

Together, these numerous improvements accomplished part of the job, but only part. In order to halt business shrinkage and win customers back, Lewis knew that HAL would have to create attractions that were far stronger and more noticeable than those it already had.

A key idea came from a mainland consultant, a young man named William M. Crilly whom Lewis has since hired in the post of assistant to the president.

The idea was to modify HAL's DC-3s, replacing the tiny windows with large five-foot wide windows that

would give passengers a panoramic

The idea made sense. Certainly one of the chief attractions of an interisland flight was the aerial view of the colorful islands, especially for cameracarrying tourists.

President Lewis became enthusiastic. In fact, he set his mind on not only restructuring the DC-3s to accommodate five-foot-long picture windows, but on a complete redesign of the

plane interiors.

The modification program would undoubtedly offer a powerful sales attraction. But the improvements. particularly the structural changes in the planes, would take money-lots of money.

Financing sales appeals. The problem was that HAL didn't have any money to spend. Because of the five CV-340s purchased a few years earlier. Hal had gone into heavy debt. Now, because of lost business, bank loan payments were overdue.

Lewis could have bowed to the arguments of his competitor and the Civil Aeronautics Board, sold the big CV-340s and ended up with enough cash to do a masterful job of modifying the DC-3s, with money to spare. But this seemed to him like a step backward. TPA and the CAB notwithstanding, Lewis believed the CV-340s were suitable for HAL's business. He held strongly to his conviction that Hawaii deserved the first class air transportation the '340s offered.

His job, however, was to convince the bankers that he was right. He went to them with his arguments, backed up with facts and figures. With the notable help of one of HAL's directors, Dudley C. Lewis (no relation), an influential attorney in Honolulu and one

"The health of a business

of Arthur Lewis' strongest backers, the willing support and cooperation of the banks were won. The CV-340s were refinanced and depreciated over 10 years instead of seven; this step alone released a substantial cost burden.

To generate more cash for the modification program, Lewis took out a new bank loan, sold two DC-3s-one cargo and one passenger plane-and leased one of the CV-340s to an Australian company during HAL's slack period.

Now the aircraft modification program was undertaken. A schedule was carefully worked out so that improvements would be made as quickly as the financial position permitted but in such a way that no shortages of operating equipment would result even when one or more planes were grounded for modification.

In addition to the installation of huge picture windows, the DC-3s were given smaller but more comfortable seats, luxury cabin fabrics and crisp color schemes. Similarly impressive cabin improvements were soon undertaken for the CV-340s.

Lewis didn't stop there. He saw to it that the stewardesses' uniforms were redesigned to match the eye-appeal of the plane interiors. Then he saw to it that the new uniforms were adequately filled. For example, during 1956, every major beauty queen in Honolulu was hired as a stewardess.

More economies. Together with adding strong sales attraction to HAL's planes. the over-all plane modification program resulted in added operating economies. The reason is that HAL's short range flights made the standard baggage compartments unnecessary. During the internal redesign of the planes, baggage space was converted for added seats. DC-3 seating was boosted from 24 to 31; in the CV-340s seating capacity was increased from 44 to 52. This meant fewer extra flights to carry overflow business during peak periods. Further, the DC-3s were given external modifications that increased their speed, decreasing their gas consumption.

Advertising and promotion. President Lewis had taken the staunch position that to get more business the company would have to spend more money. One expenditure item he upgraded was advertising and promotion.

As a start, strongly worded ads were

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depends upon the quality of its sales appeals."

created in answer to the competitor's public opinion campaign against the CV-340s. Said one ad: "Who is trying to stop first class air travel in Hawaii?"

This initial ad campaign mentioned TPA specifically. From that point forward, however, the competitor was never mentioned again. Instead, a hard-hitting schedule of display advertising was launched to emphasize the specific sales appeals HAL now possessed: the smooth-riding comfort of the CV-340s, and the scenic pleasure of flying in a "Viewmaster" DC-3.

Hard-hitting advertising was backed by an equally hard-hitting promotion effort, also themed to Hawaii's scenic attractions. For example, a 28-minute travel movie was produced in color, for showing not only in Hawaii itself to attract local business, but for showings at club meetings and other gatherings throughout the U.S. The movie makes the point that no trip to Hawaii is complete without a tour of the neighbor islands.

To keep costs down in producing its movie, HAL used clippings left over from a film on Hawaii produced earlier by one of the major airlines flying the mainland-to-Hawaii route. Because imagination was mixed with this kind of economy, however, HAL's film won the Medalle de Honore as one of the finest promotion movies in the world during 1958's International Film Festival in Milan, Italy.

Other income. While Lewis was developing the sales mindedness of his organization, and injecting new sales appeal into the company's services, other profit building methods were found. In fact, HAL learned that some of its promotional devices could, in themselves, be profitable.

For example, promotional maps of Hawaii were printed—and sold to travelers at \$1 each. Attractive, lightweight suitcases—bright red and bearing the HAL insignia—were adopted for promotional purposes, and also sold through reservations offices. Now HAL even sells records of Hawaiian music.

The combined result is extra promotion and a sideline of significant extra income.

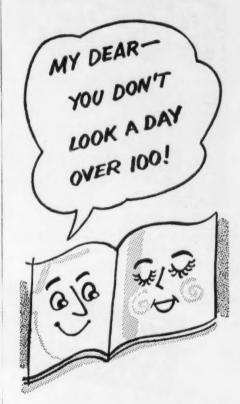
Lewis has emphasized one other method of figurative diversification within his market. The method: a contract maintenance business, developed so that HAL can do most of its own plane maintenance work itself at low cost and, in addition, profit by doing contract maintenance for others, notably the military.

Profits curve. In 1957, Lewis' third

First stewardess uniforms were redesigned, then they were adequately filled.



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"If you fail to seek

year on the job, HAL's profit position improved greatly. In his first year, Lewis had more than halved the loss of the previous year. In 1956, his efforts turned a modest profit. In 1957, with the organization overhauled, the cost picture under control, the sales plan in full motion, and a 10% fare increase authorized by CAB, a net profit of \$183,275 was earned. It represented a 7.4% return on investment. The company was again off federal subsidy.

In the meantime, however, Lewis had begun to cast his eyes in the direction of his company's future horizon. He was not satisfied with what he saw. Although the inter-island travel market was growing, it was not growing fast enough. Lewis wanted to provide better career opportunities for company employees and management, and better profit opportunities for stockholders. The only way to do this, he reasoned, was to break through the walls of his present market. This, however, presented huge problems, especially problems of finance.

The following section tells how HAL's management is solving the problems of limited growth.

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PROBLEM NUMBER 4: How to crack a market barrier

Despite complexity and financial risk, a plan is launched to open new profit potential.

■ "Growth is a debt that management owes to employees. In some cases, you might be able to serve stockholders by avoiding the risks of dynamic growth. But without growth you can't give high caliber employees the job advancement they have a right to earn. I say that if you fail to seek growtheven when the stakes are high and risks big-then you fail in a major management duty.

These words of Arthur D. Lewis are based on what he saw when he joined Hawaiian Airlines in 1955.

The problem was this: reduced business volume on one hand combined with bigger, faster planes on the other had eliminated almost all chance for employee advancement. As a result, the organization was demoralized and turning stagnant.

The problem was epitomized by the

growth, you fail in a major management duty."



When the accountant totaled his figures, they showed a significant profit.

dilemma facing pilots. Many pilots had built up long years of seniority with HAL. To resign and move to another airline would mean starting over again at the bottom of the heap. Thus they stayed on, even though their flying time-and thus their income-had been severely reduced.

Lewis discovered soon after joining HAL that every co-pilot had previously flown as captain, but had been forced to accept demotion due to HAL's loss of business. The net effects were injured pride and lack of identification with management. This was reflected later in bitter contract negotiations between pilots and management, almost resulting in a strike.

The over-all situation was aggravated by another factor. HAL's pre-vious management had failed some years earlier in attempts to obtain a CAB certificate to fly the lucrative California-Hawaii route. Employees continued to resent this failure. They knew that a mainland route would have opened up a vast new horizon for the company and themselves.

Lewis was able to overcome some of the negative sentiment when he reorganized the company, giving recognition to qualified employees through promotions. Example: one pilot, D. Patrick Riley, now serves double duty as HAL's director of public relations.

Lewis' success in getting the company under cost control also helped, as did the aggressive sales plan which started moving the business pattern back up again.

All economic indicators pointed to continued growth in Hawaii's interisland passenger traffic. But the projected growth would be at the rate of only 5% (versus an annual growth rate of 15% for mainland domestic trunk carriers). Lewis took the position that this kind of business climb would not be steep enough to provide optimum career opportunities for HAL's pilots, executives and other key employees.

Therefore, some way had to be found to crack through the present market barrier so that Hawaiian Airlines could wing its way into a faster economic ascent.

THE ANSWER

Obviously, the ideal solution to HAL's growth problem was a CAB certificate authorizing scheduled flights to and from the U.S. mainland. Lewis realized, however, that because of the dozens of considerations involved, including political consideraitons, this goal could be reached only via the bridge of a carefully constructed long range plan.

The immediate answer, therefore, had to lie in the area of unscheduled or chartered flights beyond the confines of Hawaii.

Lewis, his board of directors and his management group went to work on the problem and came up with a plan.

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The plan. In theory, the expansion approach selected was relatively simple. It was to acquire a large four-engine plane with enough range to service the entire Pacific area, and to modify it for complete flexibility in both passenger and cargo carrying. Thus modified, the plane could be added to HAL's inter-island fleet during peak periods. During the remaining months of the year, it could be put to a variety of other profitable uses.

With their sights extended, HAL's market researchers found three new markets in particular that could be tapped with a long range plan:

First, the Military Air Transport Service in the Pacific had recently begun contracting out to commercial carriers an increasingly large share of its passenger and cargo airlifts. The new plane, therefore, would put HAL in a position to bid competitively for MATS contracts to carry military personnel, dependents and military cargo between the Far East and Honolulu or San Francisco.

Second, the researchers foresaw a strong growth of interest among U. S. tourists for travel to Pacific areas south and west of Hawaii. The trend would undoubtedly be accelerated by the forthcoming inauguration of jet service between the mainland and Hawaii. HAL could take advantage of the trend by making its new plane available for tourist charter to points throughout the Pacific, particularly to

some of the exotic islands not served by scheduled airlines.

Third, with a long range plane HAL would be able to operate its own allexpense packaged tours through the South and Central Pacific on a planeload basis. The tours could be sold both to organized groups and to individuals. This represented a travel market with perhaps unlimited potential, yet a market that had never been tapped.

Lewis knew that to expand into these new markets would be a complicated and risky business. The financial considerations would be tremendous. The type of plane required would cost well over a million dollars. Something like another half million dollars would be needed to modify the aircraft, to inventory spare parts, and to finance the training of personnel who would fly and maintain the plane.

All costs considered, this one additional plane would represent about a 40% increase in HAL's invested capital.

Lewis, however, stuck to his position that the company had no choice but to make this growth step, regardless of the costs.

Financing the growth. But how to raise the money to cover the costs? The answer: an issue of convertible debentures.

Lewis' job of winning financial support for the expansion plan was eased by the fact that he enjoyed favorable board relations, favorable banking relations and favorable stockholder relations. HAL's 1,100 stockholders never seemed to have lost faith in their struggling company, despite six dividendless years.

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Backed by this kind of support. Lewis went to major stockholders and explained the expansion program to them. He asked these stockholders if they would vote in favor of an issue of convertible debentures to finance the program and, if so, whether they would buy a portion of the offering. He came away with not only a favorable reaction to the debentures, but with actual commitments to buy.

With these commitments in hand, Lewis then went to his bankers and won their agreement to provide interim financing if it should be required for the immediate purchase of a plane.

Once the bankers had agreed to cooperate, a search was begun to find a suitable plane that was for sale in the aircraft-hungry world market. Lewis and other executives traveled to many parts of the world in search of a bargain.

Finally, a bargain was negotiated. Slick Airways, Inc. agreed to sell a four-engine Douglas DC-6A cargo-passenger aircraft for the surprisingly low price of \$1.020,000.

The plane was just right for HAL's purposes. The interior could be modified to provide complete flexibility in seating arrangement—ranging from a

98

66-seat overseas first class configuration to an 88- to 98-seat overseas tourist or inter-island configuration. The seats could be made readily removable, so that the plane could be used as an all-cargo aircraft.

To take advantage of the bargain and gain immediate possession of the plane, Lewis went to his bankers and obtained \$1 million in short term funds. Supplementing this with a small amount withdrawn from working capital, the plane was purchased in January 1958.

Preliminary flight training for pilots and other personnel who would handle the new plane was undertaken immediately. Then the plane was grounded for its extensive modifications. An additional \$500,000 was borrowed from the banks to finance the modifications and to replenish working capital.

Now everything hinged on the success of the debenture offering. HAL had borrowed up to its teeth. If the offering failed, one or more of the company's other planes would have to be sold to retire the short term loans.

The debentures were to be offered without the services of an underwriter, in order to side-step high underwriting costs (since HAL's past record made the offering uninviting from an underwriter's point of view).

It was decided that the issue would consist of \$1,250,000 in 6% convertibles subordinated debentures. Following preparation of a detailed prospectus and other preliminary steps, the offering was released on April 14, 1958. Lewis and his associates held their breath.

It wasn't long, however, before the success of the financing was clear. In less than a month, Lewis was able to announce that \$1 million in debentures had been sold (80% to stockholders

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and employees)—more than enough to support the expansion program.

Technically, the success of this major financing represented HAL's success in cracking the barrier of its limited market. The actual break-through came only shortly thereafter. The newly purchased plane, having emerged from its modification program redesignated as a DC-6C, was put to work under HAL's first overseas air service contract, carrying military personnel between California, Honolulu and Manila. President Lewis and his management group were busily and confidently at work planning, promoting and selling their full range of Pacificwide air transportation services.

In the meantime, during early 1958, HAL's inter-island business had suffered a double blight: 1) the recession in the U. S. had reduced Hawaii's usual volume of tourist business, and 2) a six-month strike in one of Hawaii's chief industries—sugar—had crippled the local economy. With the strike over, however, and the recession fading, inter-island traffic again began

edging up.

Said President Lewis: "Our company is in shape to reach out for a very rewarding future. Our job now is to develop both phases of our business—inter-island and overseas air service—to their full potential. Our continued growth and development will mean substantial job opportunities for all our employees."

PROFILE OF A NEW KIND OF MANAGER

The power that has kept Hawaiian Airlines in the air—and raised the ceiling for its future growth—has been the injection of a new kind of management that had not existed before.

This case history makes one point clear. Big problems can either make or break a company. When professional management is applied, bigger problems usually result in better solutions.

The full-color picture of Mr. Lewis on our cover was produced by a new low-cost 3-color engraving process developed by the Sta-Hi Color Service, Fullerton, Calif.



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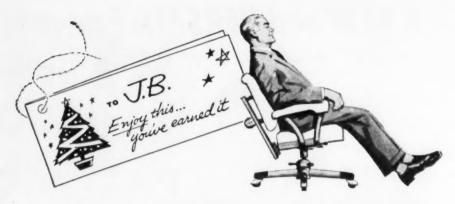
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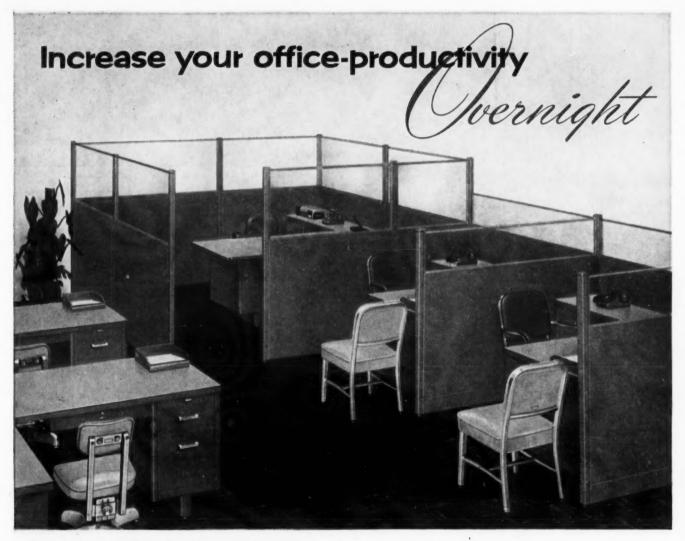
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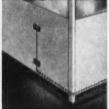
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Management

METHODS

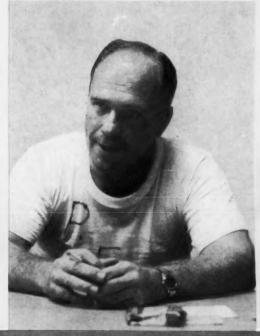












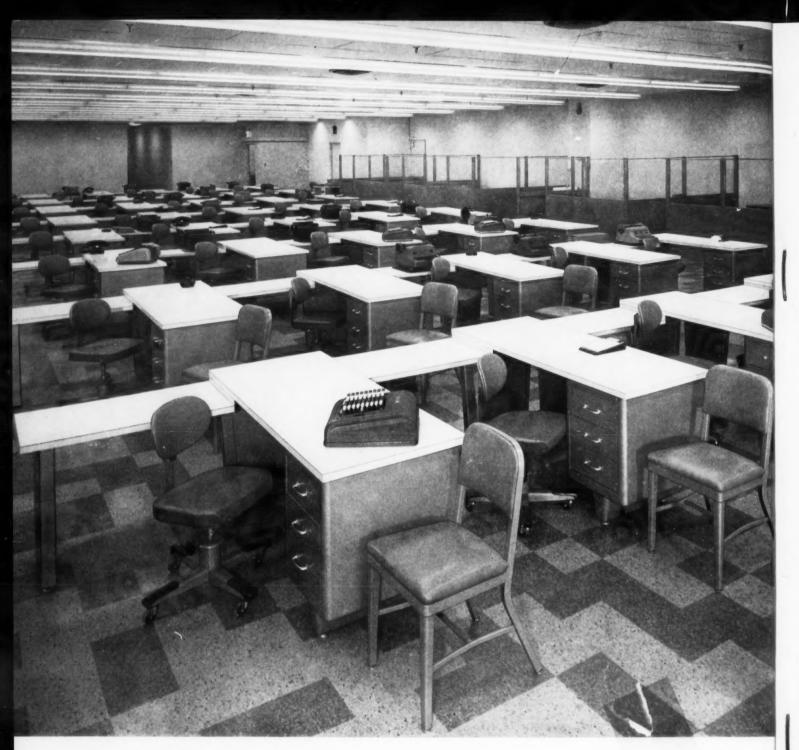


Left to right: (top) Dick F. Sable, John R. Affre, V. C. McQuiddy, Jr., (bottom) Thomas R. Fuller, Frederic E. Jorden, M. Claude Schuler

Six sales managers tell
What they learned from the recession

page 41

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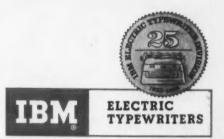
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Management

Number 2

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Management

Number 2

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A publication of MANAGEMENT MAGAZINES, Inc.

22 West Putnam Avenue, Greenwich, Conn. Townsend 9-8585

President and Treasurer, W. S. Kline; Vice President, J. W. Harris; Vice President, A. J. Kaiser; Secretary, E. D. Kline

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Management Methods is indexed in the Business Periodicals Index

SUSSCRIPTIONS: In United States and Possessions, one year \$5.00. Canada, one year \$6.00. Foreign subscriptions \$10.00. Single copies \$.75. When possible, back issues or tearsheets of articles will be provided. Enclose \$1 for each back issue and \$.50 for each back article requested, to cover costs of handling.

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HAW-WALKER Largest Exclusive Makers of Office Equipment
Muskegon 6, Mich. Representatives Everywhere



Alone—together—or in conjunction with other business machines, Addressograph, Multigraph and Vari-Typer methods can make significant savings in the operation of your business.

Serving Small Business

Addressograph

The Addressograph principle provides businesses of all sizes with a fast, simple and economical method of storing repetitive data on self-writing master records, and mechanically writing that information accurately on the numerous forms required to activate and control everyday business transactions. A wide variety of machines, ranging in size from small, portable, hand-operated units to push-button automatic models, is available to serve the writing needs of business.

Multigraph

Multigraph methods offer the versatility necessary to meet every basic duplicating requirement of business—forms . . . communications . . . promotional material . . . and systems paperwork.

Multilith duplicating masters possess an inherent ability to accept and reproduce both constant and variable information, thus making it possible to produce complete business records from blank paper. With only one original writing, any information can be reproduced...repeatedly...wholly or in part. Required additions, deletions or substitutions can be made at any point in the procedure.

Vari-Typer:

Vari-Typer, the machine with a thousand faces, looks like a typewriter but writes master copy that looks like printing. This simple, easy-to-operate office machine composes all types of necessary paperwork from forms to catalogues, headlines and text. Vari-Typer speeds the production of printing and duplicating . . . eliminates costly typesetting and lettering . . . reduces operating costs.







Call your nearby Addressograph, Multigraph or Vari-Typer representative for a complete report of the time and money savings available to you at low cost. Or write Addressograph-Multigraph Corporation, Cleveland 17, Ohio.

Big Business • Every Business



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Addressograph-Multigraph
PRODUCTION MACHINES FOR BUSINESS RECORDS

(Circle number 101 for more information)





Is your business moving at 3 miles an hour?

A man walks about 3 miles an hour.

But his voice travels via telephone at the speed of light.

How many people in *your* place would save time and money by contacting each other at 186,000 miles per second?

Top firms in all industries have speeded up operations and pocketed sizable savings with P-A-X—the "inside" business telephone system.

P-A-X is privately owned — entirely independent of public (outside) phone service. It sharply cuts the cost of rented equipment. It's 100% automatic—requires no operator. It gives you "split-second" handling of inside calls—keeps the regular switchboard free for important incoming and outgoing calls.

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P-A-X interconnects all departments with dial telephone service — ends employees' needless effort and wasted time in contacting each other. It prevents tie-ups, speeds the relay of information and instructions.

Get full information on this proved way to step up efficiency and trim costs. Send coupon for case history studies that give facts and figures on P-A-X installations in business similar to yours. Do it now.

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Name _____Title _____

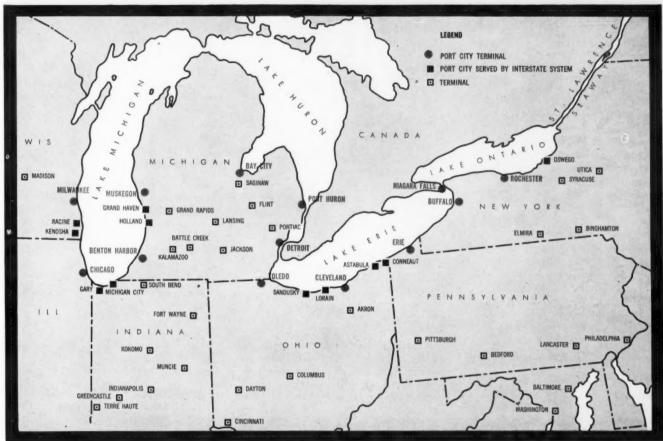
Type of Business

Address____

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Interstate's strategically located terminals connect seaway and Mid-America



Interstate Motor Freight System connects the St. Lawrence Seaway with all major U. S. highways and cities by maintaining terminals in nearly all major port cities. Interstate System also serves a large number of secondary port cities.

Established contacts, comprehensive facilities and the experience of routing shipments by land and sea are reasons why you should specify Interstate System for both inbound and outbound foreign and domestic freight.

Interstate Motor Freight System has 52 terminals in 18 states east of the Mississippi River. We also offer exceptional coast-to-coast service to or from points named in Rocky Mountain Tariffs. Our midwest carrier is Prucka Transportation, Inc.; our West Coast carrier is Garrett Freightlines, Inc.

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ails and investment problems are andled by the Putnam Fund in be-

half of the participating company.

Initial installation of the complete plan costs just \$450. Annual fee there-fter is \$250 plus an additional asessment of \$2.25 each for the first 00 employees. This fee scales down n graduations to only 60 cents addiional for each employee after the ,500 mark.

Response to the plan has been significant. Some firms that presently have profit sharing say they plan to witch to the packaged program beause it costs less and also frees them rom the burden of administration.

For the complete story on this new profit-pension plan, circle number 302 m the Reader Service Card.

rading out-of-state

A new booklet by the Corporation frust Co. gives a simple explanation of what constitutes adequate and reiable statutory representation for a corporation operating away from

Titled "Agent for Process," it preents interesting case histories of acual court cases of company out-oftate involvements.

For this free booklet, write The Corporation Trust Co., 120 Broadvay, New York 5.

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Precision electric systems to serve my time recording need in plants and offices are fully illustrated and detailed n a 36-page catalog by Stromberg Time. Corp

Individual components or entire systems are available for three basic nethods of operation that provide automatic supervision of accuracy of all clocks and time recording equipnent. They are the Electronic System requiring no special wiring, the Syn-chronous Wired System and the Auto-

et Impulse System. Individual bulletins cover master clocks, employee attendance recorders, time stamps for correspondence and paperwork flow, job cost recorders, wall clocks, program signals, elapsed time indicators, time card racks and other accessories.

For this free complete time recording catalog, circle number 303 on the Reader Service Card.

Accounting with pegboards

Eight new catalog sections on Multi-Rite pegboard and strip accounting have been prepared by C. E. Sheppard Co. Among accounting and recordkeeping procedures covered are sections on payroll, accounts receivable, peg-strip data processing and time payment systems.

For free copies, write to the C. E. Sheppard Co., 44-44P 21st St., Long Island City 1, N.Y.

For more efficient filing

A new 16-page catalog by Diebold, Inc. shows how to achieve better record storage at lower cost. Steel files to accommodate every record storage situation are detailed and illustrated.

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Appraising group insurance

Does your employee insurance program offer up-to-date protection? Are executives adequately covered? These and other questions are answered in a 24-page manual, " Does Your Company's Group Protection Give You Your Money's Worth?" just published by Continental Assurance Co. Charts, tables and case histories support the evaluation data presented.

For this free manual, write Continental Assurance Co., 310 S. Michigan Ave., Chicago 4.

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possible type of thinking went sign of the exciting new Cramer ched Collection of Office Chairs.

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End 10-minute waits for "I-minute" copies... put a Bantam Copier in every department!

Almost everyone in business today

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Now, with the introduction of Kodak's new \$99.50 Verifax Bantam Copier, still greater savings are assured.

As systems men see it, putting a Verifax Bantam Copier in every department ends those "ten-minute" trips to a distant copier . . . saves up to 24¢ every time copies are made.

Small investment—big return

Your savings in a month or two—on secretarial travel time alone—pay for each Verifax Bantam. And think of the convenience! No one need take more

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A capable "any-job" copier

Despite its low cost, the Verifax Bantam Copier is a versatile, dependable performer that takes all sorts of copying jobs in stride . . . meets the needs of offices and departments with widely varying copying requirements.

Call in your local Verifax Dealer

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Makes 5 dry, readable copies in 1 minute for 2½¢ each. Verifax copies can be made on one or both sides of bond-type paper, card stock or printed office forms for use in systems.



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Even makes an offset master in 1 minute for less than 20¢ with low-cost adapter. Translucent masters for whiteprint machines can also be whisked out in 1 minute.

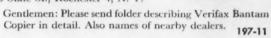
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EXCELLENCE IN FINE PAPERS

Now Genuinely watermarked for better printing impressions

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FROM ONE

MASTER...

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THE COST!



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Just One Copy A Day Makes Any Cormac Pay

Here it is-the process that adds a new dimension to the copying machinequantity! Years of research have finally culminated in this exclusive Cormac development.

You can make five, twenty, an infinite number of copies-from just one master. Each copy is as clear, crisp and distinct as the original. You can file the master, make copies years from now-and get perfect results every time. Copying with the PolyCopy process is simplicity itself. You use only one sheet. Peel-apart is eliminated. Cost of copies is cut in half. Copying time is slashed all the way.

Now you can have Cormac copy quality—the finest ... Cormac quantity—the most!

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PolyCopies are made by the PolyCopier, an accessory to existing equipment. Only \$79.50.

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- **DEPT. 38**
- ☐ I would like to see a demonstration of the revolutionary PolyCopy process. No obligation, of course,
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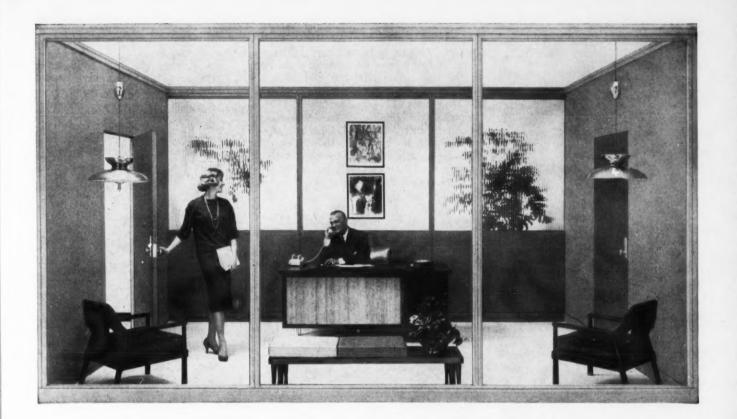
7 reasons for confidence when your contract carpet is *Lee's*

- 1. Best quality. Lees Carpets are made from the finest carpet wool. Durable nylon can be added to give increased wear in high traffic areas.
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To solve your carpet problem contact Lees Commercial Division, Bridgeport, Pa., or offices in principal cities.





Offices that never show their age have movable HAUSERMAN wall systems

This office will still look youthful . . . and continue to be useful . . . years from now. It's created from the new Movable HAUSERMAN "HP" Wall System.

The trim, simplicity of "HP" design is the key to its striking, modern look. And the cost of this new wall system is amazingly low. It opens a wide range of possibilities for use in executive offices as well as in production areas. Where appearance is important, "HP" offers a broad selection of decorator colors in permanent, washable finishes. And where flexible space division is the primary consideration, "HP" can be removed, rearranged and reused.

Ask your local HAUSERMAN representative for additional information on "HP" Walls and other movable wall systems in the HAUSERMAN complete line. He is listed in the Yellow Pages under PARTITIONS.



A complete line to meet every space division need THE E. F. HAUSERMAN COMPANY
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Hauserman of Canada, Ltd.
Mallard Rd., Don Mills, Ontario
Please send free literature to:

Name

Company

Title

Street

City

State

MOVABLE
HAUSERMAN
INTERIOR
WALLS

(Circle number 131 for more information)



Letters

IARI research available

sin: The article "This task method tells you how much to spend for selling" [MM, July '58] that I by-lined has created quite a lot of attention. I am most appreciative of the reception it has been accorded.

However, I would like to emphasize this point: much of the article reflects opinions that Barrington Associates, Inc. crystalized during a study for the Industrial Advertising Research Institute. This study is now copyrighted by the Institute—a fact which should have been noted in the published article.

I understand a condensation of the report is available through IARI head-quarters, Princeton, N. J. The title of the report is "How to establish the budget for advertising industrial products." I will appreciate your making this information public in your next issue.

EUGENE B. MAPEL
VICE PRESIDENT
BARRINGTON ASSOCIATES, INC.
NEW YORK

Management Drama

SIR: You have done a terrific job in putting across the drama inherent in a business-saving operation such as Arthur Lewis has accomplished for Hawaiian Airlines, Ltd.

We are eagerly awaiting publication of your book, "The Decision Makers." Even though we may have read the individual accounts previously, such a collection of documented case histories should prove of value to anyone interested in the science of business management.

LOUIS WOZAR
PRESIDENT & GENERAL MANAGER
THE TAIT MANUFACTURING CO.
DAYTON

■ The book Reader Wozar refers to is a compilation of profiles of business managers that originally appeared in MANAGEMENT METHODS (see page 92).

EDITOR

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sir: I have very much enjoyed reading the article, "How to overhaul a sputtering business" [MM, October '581

President Arthur D. Lewis is a good man, and his success with Hawaiian Airlines is refreshing. What he has done, others can do. I am sure your story will be of aid to many who have comparable problems.

C. R. SMITH
PRESIDENT
AMERICAN AIRLINES
NEW YORK

How MM is used EDITOR'S NOTE: Last month we asked readers to let us know a few facts

BEST for World-wide moving





Left: Goods travel swiftly, safely to any part of Free World in cargo planes carrying North American "sky-lifts."

Right: North American "sea-lifts" go around the world by ship, then move from port to destination in flat-bed trucks.

NORTH AMERICAN
HAS AGENTS IN MORE U.S.
AND CANADIAN CITIES...
IN MORE COUNTRIES OF
THE FREE WORLD...THAN
ANY OTHER VAN LINE.



DOOR-TO-DOOR DELIVERY... UNCRATED ... HIGH-VALUE PRODUCTS ... EXHIBIT DISPLAYS

about how they use MANAGEMENT METHODS, and what they think of it. A short questionnaire was bound into the front of the issue. We asked readers to mark their answers to a few questions, write in their general comments, and return the form to us. The response was heartening, and so were the comments. Here is a sampling of what readers said:

"We have been able to adapt many ideas presented in MM to our operations. I like the way in which the entire scope of management functions is covered concisely, yet in sufficient detail to be of practical use. The October cover is terrific—a great improvement in format."

"It's worth my time to read. Frequently find really useful ideas."

"Your magazine has shown steady improvement. We always find one or more challenges in each issue."

"I would like to see more articles directed to the middle management group—those who are growing into top executive jobs. I do like MM's wide scope. We clip material from every issue."

"There is always one outstanding

article that makes the magazine worthwhile. Then the others are just a bonus."

"The case history approach to decision-making is most interesting and helpful."

"The publication is excellent! I have received many interesting and thought provoking ideas from its contents. 'Workshop for Management' is my favorite feature."

"Articles are to the point and easy to read. They form basis for more extensive investigation. Its value is an intelligent approach to a variety of problems."

"Would like a little more attention to smaller businesses, such things as office mechanization, etc."

"Believe your magazine can only be described in superlatives. Articles and advertising are invaluable."

"I particularly like your monthly departments and short features."

"Often find complete answers to certain problems or the basis of an experiment to correct an unfavorable situation. An occasional idea is found that can be of benefit with some change in application."

"Well written and pertinent. We like the new format."

"Constructive and well arranged."

"Excellent."

"Excellent publication. Find the contents interesting and instructive."

"Normally would be able to check several articles as helpful. This issue just didn't happen to hit my areas of interest."

"New look is excellent."

"I especially liked the October issue. I think most articles were interesting and worth reading."

"Find features excellent and help-

Editor's note

■ Back in May we erred by offering without charge two publications by the Research Institute of America. In August we compounded this error by saying the publications sell at \$1 each. Now, in November, we make, we hope, the final correction.

The Research Institute offers no individual publications, either free or for sale. Its literature is provided only as an integral part of its membership services

North American Van-LAND-SEA-AIR!

- 1. Use North American's "Wife-Approved" Moving and Storage for your Transferred Personnel.
- 2. Exhibit Displays and Traveling Shows Moved Safely, on Schedule, Without Expensive, Bulky Crating.
- 3. High-Value Products Shipped Door to Door, Uncrated —No Disassembly or Reassembly.
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Your local North American Van Lines Agent and Warehouseman is listed under "MOVERS" in the Yellow Pages

... call him on any moving or storage problem—local, long distance, overseas. Or send coupon below. North American Van Lines, Inc., World Headquarters, Fort Wayne, Ind. North American Van Lines Canada, Ltd., Pickering, Ont.

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GIANT ROAD ATLAS!

Call your local North American agent for your FREE personal copy.

"America on the Go"—Hear Alex Dreier's Salutes to Industry—Every Sunday Evening, 6:05 P.M. (New York Time) NBC—Monitor

RELOCATED OFFICES AND LABORATORIES

North American Van Lines, In World Headquarters, Dept. N Send me Information on North Services as checked below. This Have agent call Exhib Transferred Personnel	M-118, Ft. Way American Special does not obligate it Displays	ized Industria us in any way
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COMPANY		
ADDRESS		
CITY	ZONE ST	ATE

your company is judged by the office you keep!

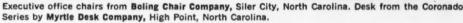
Cole's Modular Steel Desks . . .

With good office space at a premium, expanding firms are using Cole Steel to gain greater per square foot efficiency out of existing quarters. Cole Modulars are designed with interchangeable tops, panels and pedestals to meet changing office needs.

Send for our latest catalog

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YOU WORK IN STYLE AND COMFORT WITH U.S. NAUGAHYDE' and U.S. KOYLON' FOAM

FINEST IN VINYL UPHOLSTERY

FINEST IN CUSHIONING

Outstanding good looks and comfort deluxe can make your office a more pleasant and more efficient place to work—if you specify U. S. Naugahyde upholstery and U. S. Koylon Foam cushioning. Naugahyde is the ideal office upholstery... luxurious, colorful, durable, and just about the easiest thing in the world to keep fresh and clean! And for refreshing, relaxing ease, nothing beats Koylon Foam Cushioning. For example, it doubles the comfort of the sliding-seat armchair and executive swivel chair shown above. When next you buy office furniture, make it your business to look into Elastic* Naugahyde and the new Breathable* Naugaweave...both these famous upholstery fabrics are available in a wide range of patterns, textures and colors.

*Patent applied for



United States Rubber

Coated Fabrics Dept., Mishawaka, Indiana

(Circle number 166 for more information)

How to move a man to a new

When an employee is transferred, he and his wife want more from the company than full payment of the costs involved in moving. They also want consideration of special personal problems.

When a man is moved to a new company location, it's the little things that count, as far as he is concerned.

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His company may spend thousands of dollars to make the process of moving effortless for him and

WHAT THEY SAID

RECENTLY TRANSFERRED EMPLOYEES SAID:

less than two weeks

- Does your company have definite policies on cost of moving?
- no 11%
- 2. How much time elapsed between notification of your recent transfer and the actual move?

	15%
less than four weeks	31%
less than eight weeks	27%
more than eight weeks	270/

3. Are you generally satisfied with your firm's handling of your transfer?

yes	0304
	7370
no	7%

4. Are you generally satisfied with the service you received from the moving van line?

yes	869	6
	007	•
no		
	149	6

WIVES OF THESE TRANSFEREES SAID:

1. Do you feel the company allowed sufficient time for your family to move?

yes	93%
no	7%

2. Did the company make an effort to acquaint you, personally, with the new community?



3. Are you generally satisfied with the firm's handling of your family transfer?



4. How would you rate the moving service you received when your family was transferred?

excellent	27%
good	42%
fair	20%
poor	11%

location

his family. But if certain minor considerations are overlooked—considerations that may cost little or nothing—your man may start his new job with a grudge. He may catch this bitter attitude from his wife, who is the one most directly involved in the turmoil of moving. Many companies have found that it is wise to give special attention to the wife's interests—before, during and after the move.

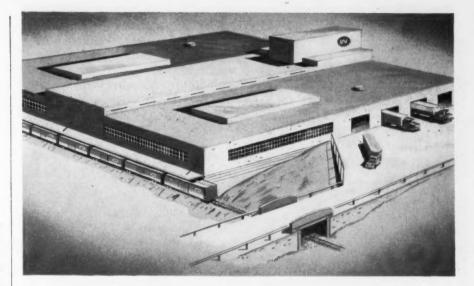
For example, there is evidence that one good way to keep a wife's attitude from deteriorating during the moving process is to make an effort to acquaint her personally with the new community, either before or directly after she arrives there.

Says the wife of a recently transferred bureau manager of a news service: "It would have been invaluable to me to receive information about our new community—facts about churches, schools, stores, weather conditions, civic organizations and so on."

Strengthened allegiance

The uprooting of a transfer is a disquieting experience at best for most company employees and their families. If a man feels that his company is not giving enough attention to his various moving problems, the consequences can be severe. On the other hand, if he feels the company has done a little more for him than the policy manual calls for, his allegiance to the firm can be greatly strengthened.

The possible severe consequences of a mishandled employee transfer are evident in a few of the answers compiled in a new Management Methods survey. The survey was conducted among a sampling of recently transferred company personnel and their wives. It covered



How to get the MONEY for a NEW PLANT

(Ready to occupy or Built to order)

... in a friendly community combining "Room to Grow" with quick access to resources, major markets, and suppliers.

Money has been set aside by communities in West Penn Electric's service area to help forward-looking industries build new plants—or adapt existing plants to their specific needs. This money is available at low cost as (1) most of the community industrial organizations are non-profit and (2) value of the plant payroll to the community is taken into consideration.

If you will outline your financial requirements in some detail, our staff of plant location specialists will go to work immediately to provide specific data on transportation services, taxes and zoning, labor supply, and the community characteristics of the localities best suited to your needs. There is no charge for this service.

Call our Area Development Dept. — HAnover 2-9183, or mail the coupon today.

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Name and Title
AddressZoneState

TIPS FOR MANAGEMENT LOW Purde



How to cut costs if you buy overseas

Rate differentials in certain areas of the U. S. can save you real money. For example, from a large section of the U. S. you can enjoy lower inland rates from and to Newport News, Vir-ginia, than to other North Atlantic Ports. Many alert companies have lo-cated plants and warehouses here for just this reason.

cated plants and warehouses here for just this reason.

Now . . a new industrial park has been added to this profitable situation. It offers, in addition to Newport's superb port facilities, a location that needs no development on your part. Utilities are on site. Highways, railroads, air and ocean shipping, are close at hand. And you'll find a favorable "business climate".

If you've been looking for a way to cut your distribution costs, write me confidentially and personally for details:

Peninsula Industrial Committee

(Circle number 152 for more information)

237 - 28th Street, Newport News, Va.



(Circle number 140 for more information)

executives, engineers, salesmen and others in a variety of different industries. Here are the words of one respondent: "I was transferred without any consideration . . . No consideration was given regarding housing. While it is true that they did pay my expenses, at least most of it, it took over two months to get the check. As a result of this kind of treatment, I have just turned in my resignation effective November 1, 1958.

Under today's conditions, most employees expect and get, as a matter of course, all of their major moving and resettling costs paid for them.

For example, in MM's survey of transferees, 90% said their companies paid all their packing costs, and 96% said their companies paid all their moving costs. Insurance of belongings during transit for 93% of the transferred men was covered by their companies. Practically 100% reported that their companies covered the full cost of transportation for themselves and their families.

New Policy Trends

The trend now is for companies to accept a number of other "fringe" costs that make the moving process less of a burden for the employee. For example, 67% of MM's sampling of recent transferees said their companies covered the costs of an advance trip to the new location for their wives and themselves, so they could both look over new housing prospects together. Cost of temporary accommodations at the new locations was covered by the company for 78% of the survey respondents.

A significant 24% of the transferees said that all their extra costs of moving-from closing fees on their old house to re-installation of their new telephone-were covered by the company, so that, in theory, the process of being transferred from one location to another is cost-free for the employee.

Out of pocket

Most men when they are transferred, however, take for granted that the move will cost them some out-of-pocket expenses.

MM's survey questionnaire included this question: Altogether, how much would you estimate the transfer cost you in out-of-pocket

expenses? Here's how the answers broke down:

Nothing	23%
\$100 or less	11%
\$250 or less	32%
\$500 or less	14%
\$1,000 or less	18%
over \$1,000	2%

Some of those in the highest outof-pocket expense brackets pointed out that some of the money then spent went for new furniture, or the like, which cannot really be considered a cost of moving.

The survey indicates that most multi-location companies have formal and written policies specifying what costs the company will and will not cover when an employee is transferred. Lack of such a policy can be harmful since it often means that an employee is left in the dark. For example, one respondent to the survey said: "I was not told of what expenses the company would bear in moving. I had difficulty in finding out if the company would pay my wife's expenses. I didn't know until the day I left if the company would pay the cost of breaking a rental lease."

A significant number of the surrespondents-46%-said that they made their moves less than a month after being notified of their transfer-and 15% said they moved less than two weeks after notification. In most cases, however, particularly when the employee was transferred suddenly, the family followed some weeks afterward.

But even in the cases of men who were rushed to their new jobs at another company location, there was little resentment of the suddenness with which the transfer took place. Ninety-seven percent said that, under the circumstances, they felt they were given reasonable notice. Fifty-six per cent said that the transfer separated them from their families for more than two or three weeks but that during this time the company paid for a reasonable number of visits home.

Few of the respondents evidenced real dissatisfaction with the way their transfers were handled. In fact, 93% said they were generally happy about the treatment they received from their companies, and 86% said they were satisfied with the van line service.

Most of the respondents did re-

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(Circle number 136 for more information)

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(Circle number 126 for more information)

port, however, that they received no help from their companies in finding either temporary or permanent housing in their new locations. Only 14% said the company helped them find temporary housing, and 21% said they received help with permanent housing. The survey questionnaire, however, was not designed to determine whether transferees want house hunting help from their companies.

Wives' reaction

The survey questionnaire included a section to be filled out by the wife. In most cases, the wives' answers reflected the opinions expressed by the husbands (or vice versa). For example, 95% of the wives said they were satisfied with the over-all manner in which their husbands' companies handled the transfer, and 69% rated the service they received from the moving van company as either excellent or good.

The wives, however, reported more individual "gripes" than did

their husbands.

The wives' section of the survey questionnaire contained this question: What is the one biggest suggestion you would make to your husband's company regarding improvement of transfer policies?

Here are some of the answers: "More time to plan move; transfer only during school vacation period."

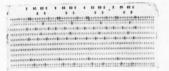
"Allow more time between notice of transfer and actual move. (Our baby was born day after notice of transfer; we moved when he was 5½ weeks old.)"

"At least \$100 should be allowed to cover the "incidental" necessities in the new apartment (curtain rods, curtains, bathroom curtains, etc.)."

"Pay all closing costs and broker's commission with some help if forced to sell at a loss."

"Arrangements should have been made to send us to new area to find suitable housing at company expense."

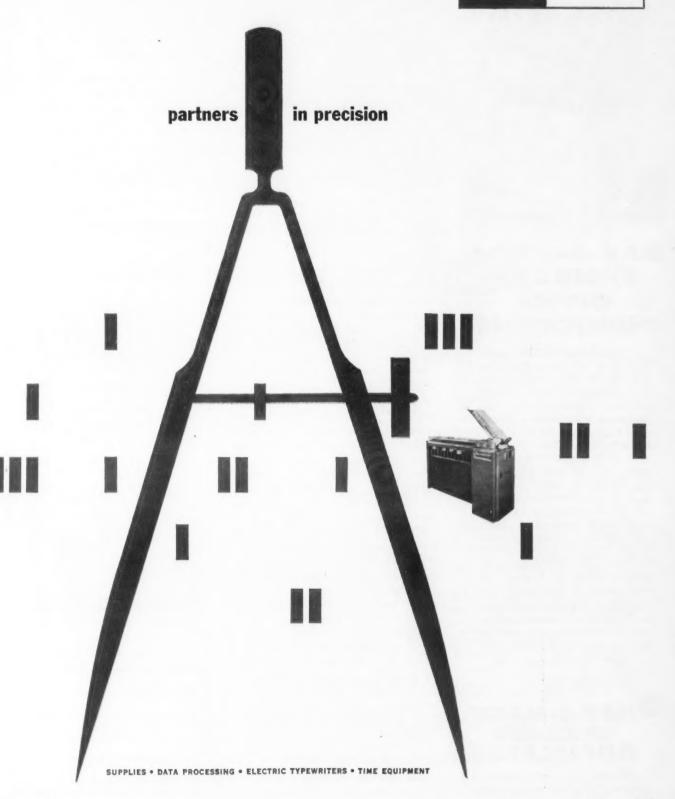
There is one factor that seems to have little bearing on employees' satisfaction in moving. That is whether the transferee picks the moving firm or the company picks it for him. In the MM survey, about half of the respondents picked the van line themselves; for the others, the company made the selection. This latter group was asked if they



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DAV-A-MATIC COLLEGIAL DUPLICATOR

A Subsidiary of Mergenthaler Linotype Co.
(Circle number 120 for more information)

would have preferred to make the selection themselves. Only a third of them said yes; the remaining majority indicated they were just as happy to have this selection made by the company.



A REVIEW OF CURRENT SURVEYS

Cost cutting ranked as biggest supervisor task

Cost control and the job of increasing productivity are the two major problems supervisors expect to face during the next 12 months, according to a survey by the National Management Association.

Keeping costs down is the hardest job now faced by 30% of those queried, and 55% anticipate this factor will loom largest among their problems during the coming year. Sixty per cent were downright pessimistic about the chances for increasing the output of production workers during this same period.

Although the supervisor is still a major influence for increased productivity, 64% of the respondents said output was equally influenced by factors beyond the supervisor's control.

Significantly, only nine per cent of those surveyed regarded labor relations as a serious problem now, but 23% expected to find it one within the next year.

Other growing problems forecast in survey reponses were human relations, a worry to 24%; keeping up the interest of workers, 21%; and the effects of increased mechanization and automation, 15%.

Of further significance is the fact that although the number of workers supervised by the respondents varied from less than nine for 30% of them to more than 50 for 17%. nearly half of them (47%) said they could supervise larger numbers of workers without much difficulty. Span of control, the survey indicated, was not entirely a question of numbers. Effective supervision depends to a greater extent on quality of supervisory assistance, variety of operations performed, frequency of production changes, personnel conditions, worker skills, and managerial skills of the supervisors themselves.

TOO BUSY TO STUDY STOCKS?

Rely entirely on your broker? Buy only mutual funds?

Of course you can do fairly well in this way, but why not use some of that executive ability of yours to make more money by picking your own stocks . . . with objective assistance from us.

Look at our performance in 1958. The stocks sold from our Supervised List in the first nine months of this year showed an average capital gain of 41.1% after an average holding period of 29.6 months—dividends not included! We recommend the stocks, tell you when to buy, when to sell.

And this Supervised List is just one of the seven separate services combined in The Spear Market Letter. We've been publishing this service for years and have thousands of satisfied subscribers.

Be one yourself, by sending only \$5 for a five-week trial subscription to The SPEAR MARKET LETTER. In addition to the five issues, you'll also get, at no extra cost, a special report: "Latest Buy-Hold-Switch Ratings on 527 Stocks."

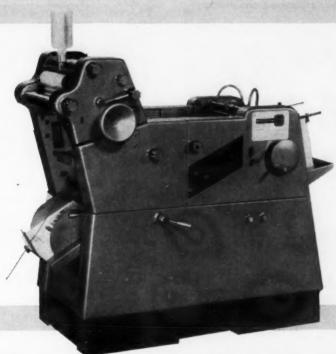
Too busy to make more money? Or are you going to put your executive ability to work making direct profits for you and your family?

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(Circle number 160 for more information)



The Photostate Masterlith Offset Duplicator, Model 1115.

How the Masterlith saves time and money for CIMI



On the job . . . the Photostat® Masterlith Offset Duplicator offers quality reproduction, resatility, unmatched ease of operation. offers quality reproduction, remarkable



The self-contained printing department at IMT makes its own plates . . . on a Photostat® Masterlite Combination Arc-Light Vacuum Frame.

A new 12-page brochure describes Masterlith's special features. Write for your copy.

About a year ago the IOWA MUTUAL TORNADO INSURANCE ASSOCIATION of Des Moines decided to set up its own offset duplicating department.

As its name implies, IMT was established by a group of County Mutual Fire and Lightning Associations to share the risk of catastrophic windstorm in Iowa. Looking forward to its 75th anniversary in 1959, this thriving association now also offers comprehensive personal liability coverage for both

town and farm property.

IMT uses a growing volume of printed materials: about 100 specific forms, plus sales promotion materials, letters and cards, on a variety of stock weights with sizes ranging from 3 x 3 to 81/2 x 14 inches.

After thorough investigation

IMT chose the Photostat® Masterlith Offset Duplicator as the nucleus of the department, which began producing in March. During the first six months the department produced more than 300 printing jobs—ranging in quantity from 50 to 100,000 pieces.

Important savings

Accurate cost records show that dollar savings range from 25 to 50%. And, though they can't be measured statistically, savings in time are even more important — for they mean better service and good will.

A self-sufficient operation

The new department has practically complete facilities: paper cutter, jogger and padding press; equipment for making negatives; Photostat storage cabinets, and a Photostat Masterlite Combination Arc-Light Vacuum Frame for platemaking.

Masterlith makes it easy

The operator, who had no previous experience in offset printing, was trained (without charge) by a Photostat Corporation representative. She quickly became highly proficient.

And, finally...

Mr. James A. Vickery, Public Relations Supervisor of Iowa Mutual Tornado, says, "We are very well pleased with our Masterlith Offset Duplicator

with our Masterlith Offset Duplicator and really cannot say enough for it."

If this typical case history suggests a way to faster, more economical handling of paper work in your company, the Photostat Corporation representative in your community will be pleased to help. He's a specialist in small offset equipment, qualified to set up a complete operation to meet your needs. plete operation to meet your needs.

Before you buy any offset duplicator, see the Photostat Masterlith



PHOTOSTAT CORPORATION

P. O. Box 1970-MM, Rochester 3, N. Y.

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(Circle number 153 for more information)



This friendly small city is opening its arms to industry.

- Plenty of desirable factory sites at bargain prices — including railroad siding property.
- Plenty of industrial water.
- Plenty of local labor capable and willing.
- Plenty of homesites at low budget prices.

Plus

- Barge water transportation to Jacksonville.
- Local and State Government cooperation.
- Joys of small town living fishing, boating, golf, with plenty of sunshine.
- 40 miles to Daytona Beach 30 miles to New Smyrna Beach.

✓ Check Sanford for a bright future.



(Circle number 133 for more information)



The fine print clauses in contracts?

The question—Are contract clauses in inconspicuous fine print binding and enforceable?

The answer— No, unless they are brought specifically to the attention of the other contracting party.

Case one—At the bottom of the first page of a letter containing a proposal for the installation of a heating and drying apparatus were the words in small print, "All prices are subject to change without notice and all contracts and orders are subject to the approval of the executive office at Hyde Park, Mass."

After the order had been signed and alterations made for this installation, the contractor refused to do the work, basing his refusal on this fine print stipulation that the contract had not been approved by the executive office.

In its refusal to sustain this defense, the court said of stipulations of this character: "In view of the manner in which this provision is printed upon the stationery of the manufacturer, it cannot be held as a matter of law that it was incorporated in, and a part of, the proposal.

"The language of the proposal is clear and explicit and this provision which is printed in small type cannot be allowed to change, alter or modify it unless it was part of the proposal.

"When an offer, proposal or contract is expressed in clear and explicit terms, matter in small type at the top or bottom of the office stationery of the order where it is not easily seen, which is not in the body of the instrument or referred to therein, is not necessarily to be considered as a part of such offer, proposal or contract."

Sturtevant Co. v. Fireproof Film Co., 216 N. Y. 199.

Case two—In New York State a few years ago an automatic phonograph was delivered to a small candy store. The owner was asked to sign what the driver told him was "just a receipt." The paper was signed

Note—This feature is offered as a general guide only. Consult your attorney on specific legal problems.



More mileage per gal.

Gulf Oil's Philadelphia Sales Division boosts correspondence output and saves money with Edison Voicewriter

"Getting more mileage from all our facilities is second nature with us," states Mr. W. D. Nelson, General Manager of the Gulf Oil Corporation's Philadelphia Sales Division. "That is why we chose the adaptability and cost-saving advantages of Edison Voicewriter dictation when we replaced outmoded equipment. We are delighted with the economical way Edison Voicewriter has increased stenographic output... saved time for personnel who dictate."

A Voicewriter tryout is easy! There's no need to start off with a large system. With the Edison Voicewriter VPC-1, doubling as a dictating instrument and secretarial transcriber, any executive can quickly clean up correspondence at his desk, at home, or on

the road . . . have time for other important tasks . . . for only \$17.81 a month on the Edison lease plan.

Secretaries like the Voicewriter, too! Your voice comes through accurately, without interruptions, on the Voicewriter Diamond Disc. With the ability to get correspondence out of the way faster, with less effort, your secretary will find that she has more time for the interesting responsibilities of a real "Girl Friday."

You can rely on Edison! There's a Voicewriter system to meet the correspondence requirements of any office, large or small. And every Voicewriter user enjoys the benefits of Edison's more than 70 years' experience in the office correspondence field.



There's an EDISON product for every dictating and recording need . . . the individual Voicewriter for desk use, network dictating systems using dial or Televoice phones, and the pocket-size Midgetape that's battery-operated for recording on-the-go! For a free demonstration, or literature, write Dept. US919 at the address below.

Edison Voicewriter • a product of Thomas A. Edison Industries

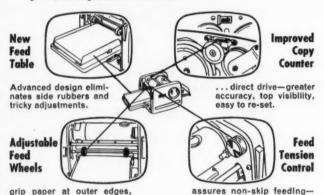
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1493 Authorized Dealers across the U. S. A. and Canada offer these amazing new Conqueror Duplicators...now better than ever with these important operating improvements, the result of Heyer's 55 years of duplicator know-how:



Many other outstanding features such as Copy Positioner Control, Nylon Gears, Visible Fluid Supply, Fluid Control (no pumps), and Automatic Start-Stop on electric Conquerors offer a combination that's unmatched. Don't confuse them with photocopy machines—Conqueror Duplicators print 110 clear, sharp copies per minute... in 1 to 5 colors at once... of anything typed, drawn or written on a spirit master... at a fraction of a cent per copy!

Model '	features except electric drive \$214.50
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The	HEYER Corporation, 1832 S. Kostner Ave., Chicago 23, III. Without obligation, please:
	Send Free Brochure on Heyer Mark III Conqueror Duplicators
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COM	PANY

(Circle number 132 for more information)

by the shop owner and returned to the driver. No copy was left with the signer.

On this paper above the signature was, "Received the above instrument in good order subject to the terms on the reverse side of this form," and in small type, "Received duplicate original of this order."

On the reverse side was set out an agreement in very small type providing for the removal of the machine under certain circumstances and a stipulation for liquidated damages. Action brought by the seller based on these fine print stipulations was dismissed by the court and enforcement of the provisions denied.

"The owner of this shop should not be held bound by the provisions on the back of a paper, the face of which obviously looked like a receipt but the back thereof contained terms of a contract in such small print as to be unreadable to the average person without the use of either a microscope or a magnifying glass.

"It is as if the offeror in his sleep said words expressive of an offer which was accepted. Though neither the will to create a legal obligation nor accurate understanding of an offer and acceptance is essential to the creation of a contract, intent to do the act which amounts to an offer or acceptance is essential."

This was supplemented by the court with a quotation from an old English case involving circumstances of this sort, that such a method was intended "to call attention to everything that was attractive and conceal what was calculated to repel customers."

Capitol Automatic Music Co. v. Jones, 114 N.Y.S. 2d 185.

Case three—Contained in the order for a machine for the manufacture of concrete blocks was the provision: "There are no understandings, agreements, representations or warranties, express or implied, not specified herein respecting this order. The warranties, provisions, terms and conditions on the reverse side hereof are expressly made a part of this agreement."

On the back of the order were stipulations limiting the seller's obligations solely to making good at its factory any defective parts. Of these contract provisions, set up by the manufacturer against the seller's claim that the machine was worthless, the court said:

"Though the present disclaimer of warranty is clear in its terms, we cannot overlook the fact that it is to be found in a long and formidable document prepared by the seller and that it was doubtless unnoticed or its import uncomprehended by the buyer.

"Anyone brought up to believe that for every wrong there is a remedy will pause before saying that the seller will escape all liability by merely putting in the order blank a statement to the effect that there is no assurance that the buyer will get a machine that will work.

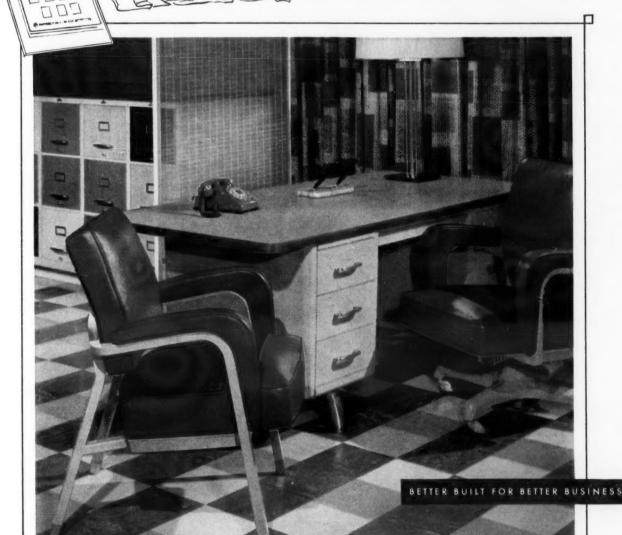
"We have paused for a moment and have readily concluded that the avoidance of liability under such a circumstance is not permitted by law. Otherwise one would have no recourse when he got an automobile without a motor or wheeler."

Myers v. Land, 235 W.S. 2d 988.

Want color and character in your office furniture?

SEE YOUR ALER

If you're looking for office furniture that really expresses your individuality, then take a few moments to call or visit your ASE Dealer. See how beautiful new ASE fabrics and exciting ASE colors can be tastefully blended to make your office as distinctive as your signature. Let your ASE Dealer help you make your selection...his advice can make a world of difference in the final results.



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Workshop for Management

PRACTICAL IDEAS YOU CAN USE RIGHT NOW!

PROFIT MAKERS

PERSONALIZE COMPETITION FOR YOUR EMPLOYEES

■ THE IDEA OF COMPETITION from other companies must be personalized if workers are to understand and help overcome it, says Plant Manager W. L. Naumann of Caterpillar Tractor Co.

He advises that you tell the welder, the toolmaker, the filing clerk, the engineer, the foreman, even the janitor that each personally "has a counterpart somewhere in another plant who is his real competitor. Each one of us must do our job better than our individual competitor if our collective effort is to be successful in the market place."

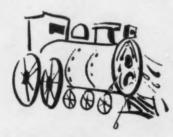
URGE CUSTOMERS TO EARN FREIGHT ALLOWANCES

■ MCKINNEY MANUFACTURING CO., Pittsburgh, reminds purchasers that they can save money by placing larger orders. A cartoon reminder is attached to any invoice for "underweight" orders on which the buyer must pay the freight.

A tearful locomotive pulling a freight train heads this message: "We're unhappy because this order was not heavy enough to earn for you customary freight allowances. Freight allowances are based on minimum shipments of 200 pounds. Won't you please take this into con-

sideration when you place your next order."

McKinney reports an increase in weight on many new orders, with resultant reduction in the number



of small ones. This represents an appreciable economy in handling costs, since it usually takes just as long to process an order below the freight allowance margin as it does a larger shipment.

KEEP WORKERS AWARE OF PROFITS PER MINUTE

■ IF YOU HAVE a profit sharing or incentive plan, let employees know how idling on the job can eat away their own earnings.

One large chain with profit sharing keeps workers aware of what lost work minutes may cost them personally in extra pay. Frequent reminders on bulletin boards, in the house organ and in pay envelopes hammer away at the profit angle. This is one typical message:

"For every payroll penny you waste in starting work late or stalling on the job, your store must sell an extra dollar's worth of merchandise to break even. Divide your

hourly salary by 60; then figure what it costs the company in profits (and your portion of profit sharing) every time you are late to work, putter on the job, or take more than your lunch hour or coffee break time. And for every penny lost, we must add another dollar's sale just to keep up!"

TIME SAVERS

SHORT CUT CORRESPONDENCE

■ WHY NOT REPLY to routine incoming letters by just jotting in the margin those facts that are required. This system works for C. K. McAllister, Jr. of the Twelfth Naval District Headquarters, San Francisco. It's a saver of both executive and clerical time, and it eliminates creation and retention of a surprising amount of unnecessary records. For the recipient, it provides the whole story on a single piece of paper. He doesn't have to remember what he asked or dig into files for the original letter.

If you must have a copy of the original with the informal reply, the quick copy process machine in most offices today provides the answer. If you have qualms about the effect of such a practice, do this:

Prepare small labels to paste on replies with a message reading: "We hope you will understand our answering your letter in this manner. By doing so, we can give you more prompt and efficient service."

Another hint: Phrase your own letters in such a way that the re-

cipient can answer with a yes, no or a very few words. Then, include a sentence encouraging him to answer on the face of your letter. He will appreciate the time and effort you have saved him and you're likely to be surprised at the promptness of his reply.

SPEED COMMUNICATIONS WITH INTERNAL PHONES

■ AS HIGH AS 50% of total load on business telephone systems may represent internal calls, according to DuKane Corp. Installing a closed-circuit phone system can free your switchboard of this burden. Such private telephones keep your outside lines free for important incoming and outgoing calls. At the same time, internal communications are speeded up.

A push button connection can also hook up any inside telephone to loudspeakers for plant paging.

INCREASE TYPING OUTPUT BY BETTER FORM DESIGN

■ HERE'S A POSSIBLE way to get more work out of typists—without asking them to work harder or faster. A five-minute check on the efficiency of typed business forms can improve typing output 15% to 25%, according to D. G. Hoffman, sales services manager, UARCO Inc. He recommends this simple do-it-yourself test for any business form:

Take a completed form. Count one unit for each typewriter stroke and horizontal space; two for shifting from capitals to lower case or vice versa; three for operating the vertical space lever; five for each tabular stop and carriage return; and 12 for each hand positioning of the typewriter carriage.

Now check your count. If the units total more than twice the number of typewriter keystrokes, the form probably should be redesigned. A high count indicates that typists use too much time adjusting the carriage to insert data in the proper place.

Without this check, time-con-

sumers in a form might not be evident to the executive who ordinarily gauges office efficiency by the speed and diligence of the typists.

COST CUTTERS

WEIGH COST VS. GOODWILL ON CHRISTMAS CARDS

■ ALTHOUGH THE MAJORITY of firms believe the goodwill engendered by Christmas cards outweighs the cost involved, others have discarded the practice as one that has lost its meaning and value.

For instance, The First National City Bank of New York will not mail Christmas greetings this year. Chairman H. C. Sheperd says the custom has lost its personal character and become a matter of rou-



tine. Prudential Insurance Co. also said it will forego sending cards this Christmas. Last year some 100 banks in Europe discontinued the practice.

With increased postal rates in effect, many companies are now reviewing and pruning their Christmas mailing lists.

COMPUTE ECONOMICS OF OFFICE MACHINES

■ FIRMS THAT FORECO use of business machines because of cost may, in reality, be throwing money away. If a machine saves even a few minutes a day, it can often be more than justified economically.

Victor Adding Machine Co. offers this example:

Suppose an average adding machine saves only 48 seconds an hour over pencil-and-paper figuring, or about 6½ minutes a day. If so, it

pays for itself in time and payroll savings and thus, in effect, costs nothing. Each second saved over the 48 is profit on the machine investment. If the time saved is only 13 minutes a day, profit on investment is 100%.

These are the hourly costs, figured conservatively by Victor, of a typical adding machine station on a 40-hour week basis, 52 weeks a year:

(\$60 a week)	\$1.50 er hou	88.7%
Space (80 sq. ft. @ \$4)	.16	9.5%
Furniture (\$200 over 10 yrs.)	.01	.6%
Adding machine (\$200 over 5 yrs.)	.02	1.2%
Total cost of	\$1.69	100.0%

Even ignoring the trade-in value at the end of five years, a machine that speeds work and insures accuracy represents only 1.2% of the cost of the station, or two cents an hour.

SALES BUILDERS

SPUR SALESMEN WITH SALES MARATHON

■ MAYTAG SALESMEN literally blanketed their territories day and night with profit-building results when urged on by a 72-hour sales marathon. In that three-day period they racked up some appliance sale every four seconds—\$17 million worth of equipment.

Chief impetus in this brief, successful sales drive—Maytag top officials manned phones night and day during the intensive "Operation 72." Fieldmen phoned in collect any order totalling 10 or more appliances. At headquarters, 15 phones were installed to handle the steady stream of sales resulting from this concentrated marathon.

Says President Fred Maytag, "There's nothing wrong with our economy that solid selling can't

e s - r

cure. Results of our aggressive sales tactics prove this is not a recession—people are just tired of not being sold."

.......

EXPLORE OFFBEAT USES FOR YOUR PRODUCTS

■ FACED WITH the loss of a big chunk of its market to foreign import competition, America's only violin factory, John J. Calborn Co., came up with the idea of making instruments designed to be seen and not heard.

An imaginative adaptation of its regular product, called the "Flowering Fiddle," serves as a graceful

wall or table planter.

This offbeat use for its normal line involved no special tools, jigs, woods or revised production setups. The new planting variety is identical with the playing version only a concealed waterproof can-



nister has been added to the Flowering Fiddle.

Substantial sales, the company reports, have resulted from promotion of this unusual use.

Another firm was forced to face up to a market that had virtually disappeared. Kutol Products, Inc., Cincinnati, made a wallpaper cleaner, a dough-like material requiring laborious rubbing to remove dirt. From 1949 to 1954, sales had dwindled from \$500,000 to \$180,000. Then the president hit on the idea of promoting the product as a child's modeling material and named it Play-Doh. Today the product looks about the same-except it's non-toxic and brightly colored and packaged. But sales in 1957 reached \$1,840,000 and are still climbing.

There are other less spectacular but equally successful cases. Makers of Scotch cellophane tape, pipe Your
Biggest
Decision

What has been your most important management decision? Is there one (or more) that stands out in your mind? Would the story be of practical benefit to other administrative executives? If so, we'd like to know about it. Possibly it could serve as the basis for a brief item or a case history article. Address: The Editor, Management Methods Magazine, 22 W. Putnam Ave., Greenwich, Conn.

cleaners and aluminum foil have steadily explored and promoted outof-the-ordinary uses for their products.

OFFER NEIGHBORS COFFEE TO CREATE GOODWILL

■ A PUBLIC COFFEE BREAK proved to be a goodwill builder for the United States National Bank of Denver.

After turning the mall outside its office building into a summer garden, the bank sent invitations to customers, workers in nearby buildings and the general public. The message read: "Give U.S. a break. Be our guests for iced tea and coffee between 10 a.m. and 4 p.m., Mondays through Fridays."

During the first two weeks of the one-month open house, the bank's guests consumed 270 gallons of coffee, 211 gallons of iced tea and 10,368 cookies.

USE SHOWMANSHIP IN SALES TACTICS

■ A MANUFACTURER of mimeograph machines wanted to play up the operating ease and cleanliness of its equipment. The unique solution: all salesmen were instructed to don white gloves during demonstrations. This simple trick was worth 1,000 words in dramatizing the lack of grease and grime often associated with mimeographing. As a result of this showman touch, sales were doubled, the firm reports.

A hearing aid manufacturer used an ordinary piece of string to sign up jewelry stores to devote space to promoting its product. Over 500 retail outlets were sold on the idea after they received this message with string attached: "Stretch this string from any two places in your store and realize that this is the little space you need to open a hearing aid department without extra overhead of any kind."

MORALE BOOSTERS

TRY WORKER TRANSFER INSTEAD OF DISMISSAL

■ PERSONNEL POLICY at Central Trust Co., Cincinnati, not only gives employees a second chance, but has cut down on unwarranted turnover as well. Instead of a pink slip, workers who might do better under a different supervisor are given a transfer.

Under this system, a supervisor cannot fire a worker. He can, however, initiate a written request for removal of an employee from his department. The employee is then re-assigned.

Such transfer before dismissal is fairer to the employee who may have been the victim of a personality conflict not entirely his fault. The plan also forces the supervisor to objectively evaluate the "problem" employee, since the evaluation must be in writing. This appraisal causes him to assess his own reaction more fully. He is less likely to pass along his biases or prejudices in writing than if he merely reported them verbally.

If an employee eventually does quit or get discharged, he is given an exit interview. A. A. Graves, vice president and director of personnel, reports that 25% of quits have been salvaged in this way.

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How to price for maximum profits

Want to take the gamble out of pricing? Then get out of the game of "follow the leader" that your competitors are probably playing. Here's a pricing method that will beam your operations to optimum production, optimum sales—and maximum profit. Key to the formula: exclude fixed costs.

by Jules E. Anderson

Anderson & Gassenheimer, New York

If your profits are slipping, the odds are that pricing is the crux of your problem.

A recent survey by the National Industrial Conference Board reveals that only four out of 155 leading manufacturers follow clear-cut, written procedures in setting prices. And many companies that adhere to a formalized pricing pattern use faulty formulas that do not present a true cost picture. Unless prices are based on true costs, pricing often becomes a businessman's version of the numbers game. If he's lucky, he makes adequate profits. Frequently, though, he's unlucky. For without a knowledge of true costs, every management decision is a wild gamble.

As a case in point let's consider the International Hand Drill Co., a hypothetical firm but typical of many that are in business. Founded just before World War II, the company had always produced to capacity. And it sold every drill it made. The selling price was determined as follows:

Costs per month:	
Materials	\$ 9,000 1,000
Selling and marketing (figured at 8% of materials and labor) Overhead (rent, depreciation,	800
salaried employees, etc.)	3,000
Total costs	\$13,800
Expected profit (figured at 20% of costs)	2,760
Estimated income	\$16,560

Division of the estimated income by the 1,000 units produced each month came to \$16.56 a unit, the factory price of an International hand drill.

As long as profits stayed at a consistently high level, International was well satisfied with its formula. But when profits began to dip seriously, the firm's president called in a pricing specialist.

The pricing specialist pointed out that the measure of a pricing method is its ability to determine the optimum selling price—the price that will realize the greatest amount of total dollars over and above those required to replace the goods sold during an operating period. Then he explained that, under the International Hand Drill Co.'s formula of pricing, this goal was unattainable.

First of all, the pricing specialist said, International's formula included overhead as a cost in determining price.

To the president's objections that overhead has to be paid for somewhere along the line, the specialist agreed. Overhead is a cost incurred in running a business. It isn't, however, a cost in producing a product.

"Put it like this," said the consultant. "Suppose International decided tomorrow to stop producing hand drills. Remember, the company is still in business. The salaried employees still come to work every day. The building still depreciates. The cost of running a business continues. But, by manage-

ment decision, production of hand drills stops. Now, what will you charge overhead to?"

The president decided it would have to be paid for out of profits.

"Exactly. Overhead comes out of profits. In setting up a pricing formula, the total margin of profit, which is the unit margin of profit times volume, has to be enough to cover your overhead. But, you determine your margin of profit before you deduct overhead. The only costs that can be considered in determining price are the costs of producing the product."

Margin of profit concept

The pricing specialist recommended that International base its pricing formula on the margin of profit concept, which he described as follows. MP (the Margin of Profit) applies the principle of direct costing to pricing, taking into account the interrelationships of cost, volume and profit. It specifically distinguishes between variable costs and fixed costs. In determining the true cost of a product-and the cost on which price must be based-only variable costs are considered. Margin of profit is the difference between the net realization (selling price less direct sales variables-discounts, commissions, provision for bad debt, etc.) and the total variable costs (material, direct labor and similar costs) applicable to the products sold.

The breakeven point, which is a much used and little understood business term, occurs when the total margin of profit equals the total fixed costs. If the MP exceeds fixed costs, the business operates at a profit. If the MP is less than fixed costs, it operates at a loss. Single products or a product line in multiproduct or multi-division companies do not have individual breakeven points. However, their sale is either a profit contribution or an out-of-pocket loss.

Pricing formula

The president, under the guidance of the pricing specialist, set up a new pricing formula, as shown in *Figure 1*.

In estimating the potential sales

Proposed unit sell- ing prices	\$18.00	\$16.00	\$15.00	\$14.00
Direct variable sellin	g costs-			
Sales commission 3.5% Cash discount 2.0 Provision for bad debts .5				
Total 6.0% Freight-delivery	1.08	.96 .50	.90 .50	.84 .50
Direct variable re- placement cost (la- bor, materials, oth- er variables)	7.00	7.00	7.00	7.00
Total direct varia- able costs	\$ 8.58	\$ 8.46	\$ 8.40	\$ 8.34
Margin of profit per unit	\$ 9.42	\$ 7.54	\$ 6.60	\$ 5.66
Estimated sales volume	400 units	600 units	800 units	900 units
Total Margin of profit dollars	\$3,768	\$4,524	\$5,280	\$5,094
Fixed costs at 100% capacity	\$3,000	\$3,000	\$3,000	\$3,000
Operating profits	\$ 768	\$1,524	\$2,280	\$2,094

Figure 1

volume at each suggested price, the president draws on past history and current marketing facts, including the firm's competitive position and competitive pricing.

Now the president has the pricing arithmetic on which to base his decision as to production and price. Assuming that 100% capacity is 1,000 units and that the overhead is \$3,000 when the plant operates at capacity, what calculations does the president make to arrive at his price decision?

First, he looks at the possibilities offered by the plant's idle capacity. Assuming that 1,000 units can be produced at a fixed cost of \$3,000, there is an idle capacity of 200 units when the product sells at \$15. This idle capacity represents a margin of

profit of \$6.60 a unit, a total of \$1,320. The president must decide if this margin of profit can be realized in whole or in part by producing the additional 200 units and 1) offering them at a special price, 2) using the potential added profit as the basis of special inducements to the sales force, 3) using it for additional advertising or sales promotion expenditures.

Then the president examines fixed costs to see if they can be reduced. Although 800 units sold at \$15 a unit yield the greatest operating profit—\$2,280—the plant has unused capacity. If fixed costs can be reduced by renting or selling idle production areas or in some other way that is not disadvantageous to the over-all profit picture,

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the possibility should be considered.

Finally, it may be to the firm's advantage to produce only 600 units, with a resultant reduction of fixed costs, to be sold at \$16 a unit. The president uses this pricing arithmetic to help him arrive at a decision:

800 units sold at \$15 each = \$5,280 margin of profit dollars. 600 units sold at \$16 each = \$4,524 margin of profit dollars.

The sale of 800 units at a lower price yields \$756 additional MP dollars. However, if fixed costs can be reduced by more than \$756 when production is limited to 600 units, greater profits would result. So the president works out how fixed costs can be reduced by \$1,000. If this can be done, 600 units sold at \$16 each will have a profit advantage of \$244 over 800 units sold at \$15 each.

To be on absolutely safe ground the president must now determine how many units must be sold at \$16 each to make an operating profit of \$2,280, equal to the amount earned when 800 units are sold at \$15 each. The operating profit is the margin of profit minus overhead. So the marketing director uses this pricing arithmetic:

\$2,280								Operating
2,000						units)	(600	Fixed costs
\$4,280					ofit	of pr	margin	Total

The total margin of profit divided by the margin of profit per unit (\$7.54) equals 567.6 units. This is the number that must be sold at \$16 to equal the operating profit made when the selling price is \$15.

Now the president knows that, if sales drop only 29% or less, even though the price is raised, his margin of profit will remain favorable. If sales volume drops more than 29%, he'll be better off to sell 800 units at \$15.

Horizontal and vertical costs

From the foregoing, it is apparent that to determine the optimum selling price of a product, the president must know how to use fixed and variable costs before he can apply these simple but accurate arithmetical pricing formulas.

Many businesses today not only do not know how to use fixed and variable costs, but actually use cost figures that are inaccurate by as much as 20 to 30%. The problem is not that their adding machines are faulty, or even that their sources of information are necessarily erroneous. The problem is simply that too many business executives use figures which conceal rather than reveal the true costs of production and of maintaining a business.

Basic to this misunderstanding is a failure to realize that there are two kinds of expense dollars, and that they behave differently and must be treated differently. There are horizontal expense dollars, or fixed costs, and vertical expense dollars, or variable costs—but only vertical dollars should be included in determining prices. Here's why:

Horizontal dollars are expended with the passage of time, regardless of production output. Horizontal dollars pay for such fixed costs as salaries, depreciation, rent, maintenance, insurance, taxes.

Horizontal or fixed costs are contracted by management decision in terms of dollars per period of time. They can be increased by management decision, or they can be decreased. Property can be bought or sold, rented or leased out. Salaried employees can be hired, compensation increased. Fixed costs do not vary with production or sales volume, and they are not a part of the product in terms of material or direct production labor.

On the other hand, vertical dollars are those that increase or decrease in direct ratio to the number of units produced. They are not controlled by management decision. They are independent of passage of time, and are dependent on sales volume. The value of vertical dollars represented by the manufactured product remains as an asset until the product is sold or scrapped.

Examples of variable costs which are paid for by vertical dollars are raw materials including freight-in expenses, direct production labor, packaging and freight-out of finished products, royalties and all other direct expenses that would not exist without production.

As shown earlier in the margin of profit concept pricing formula, overhead is a cost incurred in running a business, but it is not a cost incurred in producing a product. For this reason, horizontal dollars expended on overhead should not be included in making pricing decisions. Prices must be based on vertical dollars only. To mix these two kinds of expense dollars is misleading, and is frequently disastrous.

Replacement costs

Once a company recognizes that only vertical dollars should be included in working up costs for pricing purposes, the next step is to understand that vertical replacement dollars—or the vertical costs of replacing the product being priced are the ones on which to base a pricing decision. Knowledge of what it

Figure 2

	Company A	Company
January Sales	\$ 9,000	None
February Sales	12,000	\$12,000
Total Two-Month Sales	\$21,000	\$12,000
Cost of Product—January February	\$ 7,000 10,000	\$ 7,000 None
Total Cost of Product	\$17,000	\$ 7,000
Margin of Profit	\$ 4,000	\$ 5,000
Fixed Costs—Two Months	2,000	2,000
Operating Profits	\$ 2,000	\$ 3,000

will cost a company to produce the product at today's-or better still, tomorrow's-replacement cost provides the most effective insurance of profitable operations in times of fluctuating costs. This is especially true in industries where there are frequent cost fluctuations, as in those using many raw materials. The following case history shows what happens when one company bases its prices on standard costs (that is, what the product cost them to produce), and its competitor uses replacement costs as a pricing base.

Company A and Company B each sell a processed food. On January 1 each had an inventory of 1,000 units, produced at a cost of \$7 a unit. Fixed expenses for each are

\$1,000 a month.

In January Company A sells its inventory at \$9 a unit. Meanwhile the replacement cost has risen to \$10 a unit.

Company B, recognizing that replacement costs are rising higher than the current selling price, cannot compete at \$9 a unit without violating its replacement cost pricing policy. Consequently it makes no sales.

At the end of the second month, both companies sell their inventories at \$12 a unit. Comparative statements for the two-month period are shown in Figure 2.

Replacement cost is frequently a prediction of what costs will be, rather than an actuality. Consequently the judgment of the decision-making executive must determine whether replacement costs will rise, drop or remain the same.

MP as measuring device

Management must continually engage in making decisions that affect the profitability of the enterprise. The margin of profit concept is an accurate measuring device to determine potential profit effects of those decisions and their relationship to the breakeven point.

With every management decision on production and prices, the decision-making executive must ask himself: What does this do to the breakeven point? What price will give us the greaest margin of profit? What sales volume will return the greatest operating profit? Will this be sufficient to cover contemplated expenditures, buy new machinery, contract for new buildings needed?

If the decision-making executive believes that added expenditures will result in substantially increased sales volume, with a comparable increase in total margin of profit, his decision will probably be yes. However, if he believes that the required sales goal is out of reach, his decision is likely to be negative.

For example, consider this situation. The marketing director of a farm equipment company is considering adding two men to the company's sales force and increasing advertising expenditures. These new costs would amount to \$7,000 a month. The increase in unit sales per month might be as high as 50% or as low as 10%. The company now sells 5,000 units a month at a margin of profit per unit of \$11.06, or a total margin of profit of \$55,300.

Knowing these facts, the marketing director can calculate that the proposed expenditure will produce an additional margin of profit in the amount of \$5,530 to \$27,650 (\$11.06

x 500 to 2500 units).

An increased sales volume of 12.66% (633 units x \$11.06) will recover the additional expenditure of \$7,000 a month. Knowing this, the marketing director's decision becomes a calculated risk, rather than a gamble. If the chances to reach the sales goal are good, he goes ahead with his plan to increase his sales force and his advertising. If the chances are bad, he sits tight and waits for a more favorable time.

Results of mis-pricing

Mis-pricing, because true costs are not known or because pricing arithmetic is not properly used, frequently results in the loss of profits. A subsidiary of a multi-divisional company had never shown a profit in all the years of its existence. The subsidiary continued manufacturing only because its product was in an experimental field for which the parent company had high hopes for future profits.

The situation became a crisis, however, when the subsidiary's most important customer decided to manufacture the product rather than buy it from other sources.

Study by a pricing expert revealed that the subsidiary had included horizontal costs (overhead, salaries) in its price. This added

20% to the cost of every unit and priced it out of competition. At the consultant's recommendation, the subsidiary set up a sound pricing policy, basing price solely on replacement costs. The price was lowered from \$10 to \$8 a unit, and its once-lost customer decided to resume buying components rather than manufacture them.

Pricing flexibility

Knowledge of true costs and the use of the margin of profit concept gives management a pricing flexibility that results in maximum profits. For this reason, facts should always be made known to the sales manager, and frequently pertinent cost information should be made available to sales personnel in the

For instance, in the profit plan of a food product manufacturer, one large customer represented 18% of the margin of profit forecast for the quarter. The offering price of the product was \$1.20 a pound for a 50,000 pound lot. Replacement cost was \$1 a pound; delivery, one cent a pound; and brokerage fee, 3% of the selling price. If sold at this price the margin of profit would be \$7,700.

The customer, however, balked at the \$1.20 a pound price. He offered to pay \$1.18, which would yield a margin of profit of \$6,730. If no sale were made, no profit would result.

The sales manager, knowing true costs and the margin of profit concept, offered the customer 100,000 pounds at \$1.16 a pound. Because of the size of the commission, he was able to persuade the broker to take 2% instead of his usual 3 %. The sale was concluded and the firm made a margin of profit of \$12,678, after paying the broker's fee of \$2,320.

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Other factors

In obtaining facts about true costs and in setting the price that will bring the greatest margin of profit, the marketing executive should consult with other members of the management team before he makes his decision. For instance, what is the advertising situation? How much should be spent? How much

(Continued on page 88)

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Six sales managers tell What they learned from the recession

Six representative sales managers reveal what new actions they have taken because of the business slow-down. In these excerpts from tape recorded interviews, you'll find sales building ideas you can adapt and use right now.

"When under stress and strain, by necessity you come up with a lot of good methods to sell your products. That's why many companies now have better sales departments. It is the direct result of this year's business slowdown."

These words were spoken recently by Thomas R. Fuller, general sales manager of Thomas Industries, Inc. with headquarters in Louisville, Ky.

Sales Manager Fuller is one of six sales executives recently interviewed at length by Management Methods. Purpose of the interviews was to find out what lessons sales executives have learned from the 1958 business recession, what specific sales actions the slow-down has caused companies to take and what the sales manager considers to be his biggest prob-

lems, both in a period of stress and in more normal times.

The interviews were tape recorded on the campus of Rutgers University, in New Brunswick, N. J., during the sixth annual session of the Graduate School of Sales Management and Marketing. The school is sponsored by the National Sales Executives, a national organization of 30,000 members.

MM's six interview subjects were selected from among some 250 marketing people who attended the three-week school. They were picked because their own sales management problems are akin to sales problems being faced by most industries.

Here, in actual excerpts from the interview transcripts, are candid answers to MM's questions.



M. C. SCHULER



J. R. AFFRE



F. E. JORDEN



V. C. McQUIDDY, JI



D. F. SABLE



T. R. FULLER



M. Claude Schuler Sales Manager Bostitch, Inc. East Greenwich, R. I.

RECESSION LESSON: "Our headquarters sales staff was rebuilt with men of extensive field experience... territories were realigned."

Q. Mr. Schuler, do you feel the recession forced sales executives such as yourself to find new answers to common sales problems?

A. Yes, and it forced top management to find new answers to over-all company problems. Hard sell starts at the top. It is a top management problem, and not simply a question of whipping salesmen into working harder.

Q. Did your company take any specific sales actions because of the business slow-down?

A. Yes. Some of them resulted not only from the business climate but from the fact that our company recently experienced a change in sales management.

Q. What specifically was done sales-wise?

A. Our headquarters sales staff was rebuilt with men of extensive field experience—from the general sales manager on down. Two key staff posts were created: a product development and improvement manager, and a promotion and training manager.

Q. What about in the field? What changes were made there?

A. For the first time we gave branch

offices their own operating budgets covering everything "controllable." No personal earnings reductions were budgeted. We've been working with the branches to help them use their budgets to increase sales and decrease costs.

Q. How were these budgets established?

A. They were established on the basis of what has been accomplished in our best branches and what we felt should be accomplished in each territory. The manager of each branch, of course, helped establish his budget goals.

Q. Any other changes at the branch level?

A. Yes, a significant one. In the past, our branches had a manager and assistant manager. We promoted the assistant managers, made them branch sales managers. We gave them increased responsibility and increases in salary even though our profits are down. This will give us a "one-two punch" for '59. The branch managers will concentrate on keeping costs down in their territories with good, clean, sharp overall operations, and the newly promoted branch sales managers will concentrate on the job of pushing

sales up. The objective, of course, is to free us from the distribution costprofits squeeze. "Cu

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Q. What specific methods are you using to decrease costs at the branch level?

A. We are trying one interesting experiment. We are consolidating the paperwork of three branches—New York, Philadelphia and Baltimore. We feel this will decrease operating expenses by at least 3%. All billing, accounts receivable, credit work, and so on will be handled in New York and nearly all shipments will be made from New York. Only the actual sales and service functions will continue in Philadelphia and Baltimore.

Q. Have you consolidated any other branches?

A. No, but we have realigned territories in order to get better coverage. We decreased our sales force slightly, but ended up with a better, stronger organization. After the realignment, even with sales down slightly, average earnings of salesmen went up by \$50 per month. This means higher morale, harder working salesmen, better coverage.

Q. Are you spending more or less on total sales effort now?

A. We are spending more on total sales effort. We are cutting shipping and distribution costs through more productive methods. At the same time we have increased our overall investment in sales effort to strengthen our profit position now and to prepare ourselves for the boom that has been predicted and that we are sure is coming.



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John R. Affre
Sales Manager, Industrial Division
Gardner-Denver Co.
Quincy, Ill.

RECESSION LESSON: "We added manpower to our sales force because when business is falling off, that's when a company really needs sales help."

- Q. Mr. Affre, what sales actions did your company take as a result of the 1958 business recession?
- A. We made a survey of our general sales strength covering manpower, sales costs, budgets, markets, and so on.
- **Q.** As a result of this study, were you able to effectively prune the size of your sales force?
- A. We did not decrease our sales force, we added manpower. Actually, we did some pruning but we strengthened the sales organization through stronger replacements.
- Q. What was your reason for increasing the size of the sales organization in a period of general business shrinkage?
- A. Two reasons. We had added new products and we wanted to effectively introduce them—use them in our efforts to maintain our level of business. With these new products, some of our salesmen were overloaded. That was one reason why we beefed up our sales force. The second reason was that when business is falling off, that is the time when a company needs more help from its sales department. You have to do more selling and sell harder. The practice of taking off good

- salesmen in bad times, in our opinion, represents weakness.
- Q. Are you saying that in a period of business hardship, a company should invest more in selling?
- A. Cut back in other areas, but invest more in selling.
- Q. Did you find that a recession period is a particularly good time to recruit good salesmen?
- A. We got better men than we might have gotten at a time when business was booming. Under normal conditions, most really good men are not plentiful; there are more non-producers among the applicants. I would say that a period of business slow-down is definitely a good time to recruit the kind of men who will make good salesmen for your company.
- Q. You said your survey of sales strength included a study of markets.
- A. Yes, the recession stimulated us to search out new markets for our various products. In addition, we aggressively searched for construction projects, such as dams and so forth, that represented potential contract business for us. We sent men into key areas to go after that new business.

- Q. Was this a matter of shifting men from soft business areas into new areas that represented new potential?
- A. No, we added manpower to go after this new potential. We didn't take manpower away from other areas. For instance, take the automotive field where a lot of our business softened up. Our men stayed there and continued to call on their customers in order to be in position to land orders at the time of the business pick-up.
- Q. Were any other organizational changes made?
- A. Yes, we added sales specialists of various kinds—men with specialized knowledge in the various industries we serve. In our tooling business, for example, we now have specialists who can go out in the field and seek specialized jobs, work with the prospective customer in tackling his problems, survey the job, get the engineering done, and, of course, help in the attempt to get the business.

In addition, we added more specialists in the field of service. We have service specialists who aid our customers on our own products, both during the warranty period and afterwards.

- Q. Are these service specialists under the authority of the sales department?
- A. Yes, and they are very valuable as members of the sales organization. They report back to us valuable information about our products, about customer attitude toward our products, and about our customer sales potential. They get information that a lot of times our salesmen can't get.
- Q. What other sales actions resulted from your survey of sales strength?
- A. We improved our inventory position, not only by balancing out our inventory, but also by more accurately determining what products should be available and where. We found we could more accurately anticipate sales, so that when business of a certain kind developed in a particular place, we were able to quote

fast deliveries and thus frequently get the jump on our competition. In some cases on certain lines this has meant increasing our inventory but doing so under a policy of closer inventory control.

Q. You said that a recessionary period calls for harder work on the part of the sales organization. How do you go about motivating salesmen to work harder?

A. One method is close control of your manpower by district managers. We try to keep our people pepped up by having both district and division sales managers go out in the field and work with them-so that they don't have a feeling of being remote from the company. A salesman's morale has a lot to do with his sales effectiveness. We have found that one way to keep a salesman's spirit high is to keep him informed, so that he always knows exactly where he stands and exactly what is going on in the company. When a salesman is "down" you can't let him stay there long. As quickly as possible, you have to get him out of his rut so that he can apply his positive ability as a salesman.

Q. In a time of recession, Mr. Affre, what do you feel is a sales executive's biggest job?

A. Aside from the obvious key job of maintaining profit, I think it is vital in a time of stress for a sales executive to be able to accurately determine the pulse of the market. Salesmen are human just like everyone else. When they hear rumors of



price cutting and other such steps that some companies may or may not be taking, their tendency is to flash this information back to management, perhaps giving their source of information more validity than it

deserves. The sales manager's job is to make sure he has the real pulse of the market—rather than to become hysterical and perhaps make faulty decisions that will unfavorably affect company profits.



Frederic E. **Jorden**Manager of Sales
Chicago Steel Service Co.
Chicago

RECESSION LESSON: "To overcome the danger of having our business tied up in a few accounts, we motivate salesmen to develop the smaller accounts."

Q. Mr. Jorden, what lessons have you learned from the 1958 business recession?

A. The slow-down caused us to realize the danger of having a great percentage of business tied up in relatively few accounts. If one or more of your large accounts suffers, the effect on your own business can be severe.

Q. What have you done to attack this problem?

A. We devised a special kind of sales contest—a method that is probably new for a company of our size in the steel warehousing business. This method is working for us because every man on our sales force feels that he is just about the best salesman in the room. Our contest takes advantage of this attitude by steering the salesmen in the direction of a specific and needed goal. The goal in this case is to develop business

from our smaller accounts and prospects, in order to spread our business over a larger number and variety of customers.

Q. Specifically, how does the contest work?

A. We had each salesman select 25 accounts from his territory that he thought he could develop over an eight month pull. The contest is being scored on a point basis. At the end of the year we'll determine who has done the best job in developing his 25 special accounts. Points are awarded not solely on the basis of business sold to these accounts, but on the profitability level of the business sold. Although we have only 24 men in the sales force, we have established what we consider to be some rather elaborate sales contest prizes-designed to motivate the best performance from our men on

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NOVEM

How one firm strengthens its local science program

Here's another example of the great potential to be found in close cooperation between business and schools.

As California's Hughes Aircraft Co. sees it, industry can perform a major service to secondary education by establishing the value of pilot programs for which individual school districts lack resources.

Industry may or may not continue the programs it tests but, in either case, evaluation of the trial run enables schools or other community agencies to decide whether the program is worth adoption by them and, if so, to budget for it.

This "let's try it out" philosophy has, for the past three years, steered Hughes into a variety of projects designed to supplement high school science and mathematics education. Among the projects Hughes has initiated, are the following:

At a Los Angeles high school summer session in 1956, Hughes physicists gave a series of demonstration lectures, carefully correlated with the course of study, and thus created the prototype of a now booming classroom enrichment program.

Other local industries have since joined the program. In 1957-58,

Hughes and other firms supplied the schools with 77 speakers who gave 340 demonstration lectures to high school classes in physics, chemistry and math.

Also in 1956, Hughes hired 10 high school science and mathteachers during summer vacation. The purpose was to familiarize them

with industry's needs. Says D. S. Barlow, director of engineering for Hughes Products Group: "How can a teacher know what to teach unless he knows how the product of his teaching is going to be used?"

Hughes—and the schools—got an unexpected bonus from this experiment. The teachers wrote a

Two teachers employed by Hughes Aircraft during the summer of 1957 discuss operation of a giant digital computer with company engineer.







Four students on a summer study scholarship worked on a civil defense problem with a company engineer. Each student received \$400 "wages" and an equal amount towards a college education.

textbook on computers which has since been in wide demand by other teachers as an instructional guide.

Hughes has continued to hire teachers during the summer, having expanded the program to include college teachers and some bright students. About 108 were on the payroll this summer. Job placement is determined for its carryover value to the classroom and to other teachers (many of whom will share the employed teachers' experiences vicariously through school-sponsored workshops this fall).

Says L. C. Van Atta, head of Hughes' office of technical information and education: "We make no effort to 'get our money's worth' from these employees, but we have found that even in the first summer of employment we get an appreciable return. By the second summer they pay their own way."

Adds David Randolph, Los Angeles City Schools' coordinator for the industry-education program: "It has been found that the teachers return to the classroom with a new perspective, require more rigorous work from their students and apply their new knowledge with an enthusiasm and confidence that inspires their classes."

In 1957, 12 bright high school students—each on the threshold of

his senior year—received "summer study scholarships" at Hughes, which paid them \$40 a week for 10 weeks plus a \$400 lump sum grant for college. The students were chosen on recommendation of their high schools

They were put to work as a team to design a civil defense gaming model for the Los Angeles area, a high school project first tried by Dr. Ellis A. Johnson of the Operations Research Office in Washington, D. C.

"They proved to us that a group of gifted students, furnished with proper background and properly guided, can do an adult piece of research," says J. M. Glass, head of Hughes' engineering standards office.

But they also proved that selection procedures had been a shade casual for a team project. The students turned out to be unevenly matched as to qualities of leadership and "followership" and also as to emotional maturity. Additionally, Hughes executives discovered that to supply the proper background and guidance took a colossal amount of time.

It is now their opinion that: formal instruction is a function of the school, not an industrial laboratory, and that youngsters might make greater progress working as individuals in such a laboratory. These opinions have shaped the programs Hughes is now supporting.

This year, Hughes supplied \$3,000 in support of a program initiated by the newly-formed Committee for Advanced Science Training, a group directed by seven faculty members of Los Angeles-area universities and headed by the University of Southern California's Dr. Harry Sobel.

As in the previous year, high schools recommended top students. After personal interviews, CAST chose 15, awarding 12 of them \$250 summer scholarships and accepting three others without stipend.

("This was a mistake," Dr. Sobel says. "Even though those three did not need the money, they interpreted their different status as inferior, and one quit.")

These students were assigned directly to assist senior research workers in various hospital, university and industrial laboratories. One was responsible for "a little piece" of a continuing project on cardiac hypertrophy. Another studied the effect of hormones on metabolism. A third specialized in marine zoology.

Of the two who went to Hughes' chemistry labs, one learned to operate an electron microscope and the other worked on the synthesis of materials to be used in the control of microwaves. Happily reports Senior Chemist Dr. R. A. Spurr: "Fears that they'd be a nuisance were unfounded. In fact, they actually helped."

A symposium, open to the public, was scheduled for mid-September, at which time each of the CAST scholars read papers on their summer research projects.

Remembering its 1957 opinion that formal instruction is a function of the schools and that, to quote Van Atta, "our role is to back them up rather than take over their jobs." Hughes has joined with several other organizations for still another experiment in secondary education.

This time the locale is The Thacher School (a private school for boys) in Ojai, Calif. The pilot

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MANAGEMENT METHODS

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How to help your foremen to cut your plant costs

Lower level managers and foremen can and will clamp the lid on excessive costs if you stimulate their powers to do so. The two key requirements are to 1) help them understand how their own actions influence costs throughout the company, and 2) give them some explicit guidance in their search for cost cutting improvements.

You can get all kinds of help from foremen and other employees if you give them a little help first.

Cost cutting is a perfect example. Give people down the line some guidance in steering their own cost cutting efforts into the right areas, and you get results that make anything management can do by itself look insignificant by comparison.

That's how Borg-Warner Corp. attacked costs. The result was a potent surge of cost cutting *results*, not just a froth of ineffectual cost cutting excitement.

Here's what happened:

As with most companies, cost cutting became urgent for Borg-Warner early this year because the recession was cutting into business. B-W top brass at the Chicago headquarters surveyed the situation and searched for a solution.

Cost reduction committees had been functioning in many Borg-Warner plants for years. When the recession struck, managers of many other plants formed similar committees.

But President R. S. Ingersoll and other top men weren't convinced the company was getting full power from these committees. Apparently the interest and desire to cut costs were there, but results were spotty.

How could cost cutting be improved? Obviously, some help from the top was needed. A priority project was assigned to the personnel service department at headquarters. The assignment was to hammer together a manual and check list of proven cost reduction ideas.

A search for suitable material was begun and it was

found that there was no dearth of good cost cutting ideas available. Thus a series of simple but thought provoking suggestions and check list items was pieced together without too much strain. When this simple "manual" was finished, it was duplicated and copies were shot out to the plants. With the manual went the suggestion that it be used by first line supervisors and other personnel as an "imagination stimulant" in the search for hidden waste and other cost reduction opportunities.

Said a supplement to the manual: "Look for small ways to save money. Don't try to plan a whole new department layout or go after a big installation of equipment. Look to save money on existing jobs, with your present manpower, material and equipment."

Then, in admonishing foremen to draw on the idea power of their workers, the manual offered this reminder: "Remember when you were a workman and you had to 'put up' with a job that was awkward and caused you needless trouble and worry? You figured a 'better way' to do the job, but the foreman was hard to approach and still harder to talk to so you did nothing about it." The implied mandate: listen to the small ideas that employees are trying to express.

On the following two pages are offered in condensed and slightly revised form some of the cost cutting guides that B-W's management provided for use throughout its multi-plant operations. These pages are perforated so you can easily tear them out for use in your own company. You are free to reproduce these cost cutting ideas if you want to distribute them to your management and operating personnel.



COST LEAKS

like these drain a company's strength. You can

help plug them by finding better ways to get things done.

POOR INSPECTION. It's a cost leak when labor is expended on materials or parts that don't meet specifications. If a defective part is permitted to continue through the manufacturing process, it's a waste of time, manpower—and money. In addition, it can be a waste of expensive and hard-to-get tools and dies which may be damaged or even destroyed if the part is not discovered to be defective.

POOR RECORDS. Inaccurate or inadequate records are a cost leak. Records of rejected purchases, for example, should give adequate facts on the cost of inspection, handling, accounting, packing, shipping and communicating with the vendor. When purchased materials are charged back to the vendor, the records must be accurate. Otherwise, the company may lose money.

TOO GENEROUS PIECE RATES. It's a cost leak when allowances are made so that employees can make their wage guarantee—or when too generous piece rates are established. The problem is unlikely to occur if piece rates are studied at different times by different rate setters.

short runs. It's a cost leak when machines and operators are kept idle because of short production runs that are poorly planned. Setups are expensive. Usually operators are paid base rate while setups are made. They are not producing but costs are increasing.

INDIRECT LABOR. It's a cost leak when non-productive labor is out of balance with productive labor. This is a major factor to consider when you study costs.

WAITING TIME. It's a cost leak when replacement tools are not at the job, causing delays while they are being obtained . . . when inefficient methods are used for routing materials, supplies, parts and pieces in process.

NEGLECTED FIXTURES. It's a cost leak when pipes and fixtures leak water, steam, air, gas, oil or other resources.

POOR HOUSEKEEPING. It's a cost leak when poor housekeeping increases safety hazards or reduces worker efficiency and morale.

TURNOVER. It's a cost leak when employee turnover is excessive. The cost of replacing employees who quit is extremely high in terms of time and money spent for recruiting, interviews, medical examinations, indoctrination, training, and the large amount of clerical work that must be done to handle necessary records and forms. High turnover can also affect the rate of unemployment compensation. In some states, the rate is governed by the experience record. A high turnover means a high unemployment compensation rate; low turnover means a lower rate.

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TIME NOT WORKED. It's a cost leak when workers are permitted to take excessive time for rest or clean-up ... when employees leave their jobs before quitting time in order to get to the head of the line to punch out ... when employees are permitted to visit on the job, thus distracting other workers, slowing down productivity, and creating hazards that can cause injuries. Time is an expensive commodity that can be measured. It is a commodity that can also be controlled and conserved for productive use. Wasted time is wasted money.



COST REDUCTION is often a matter of making a large

number of small improvements. In sum total, such small improvements make big savings.

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Can you . . .

- eliminate unnecessary operations?
- group or combine jobs?
 simplify present procedures?
- devise new methods? simplify your own job?

PROCEDURES

Can you . . .

- conserve supplies?
- reduce or simplify filing? eliminate duplicate work?
- combine or simplify forms?
- cut phone, postage or shipping costs?
- reduce chances for errors?

MERCHANDISING improve machine output? eliminate accident hazards? reduce maintenance costs? improve health conditions? Can you . . . combine two or more operasuggest new promotional ideas? MATERIALS improve performance or improve service to customers? Can you . . . quality? develop sales aids or ideas? reduce waste, spoilage and improve appearance or cut suggest new uses for products? scrap? costs? find use for scrap? MACHINERY OR EQUIPMENT save production time? eliminate rehandling? Can you . . . eliminate waiting time? simplify or re-locate machines **WORK CONDITIONS** speed delivery? Can you . . . or equipment? substitute one for another? reduce machine set-ups? improve safety measures? simplify handling?



COST CLUES can be uncovered if you search for answers to the

questions below. Take your time and apply your imagination to each of the items.

MATERIAL COSTS

Can better, less expensive or less scarce material be substituted? Have defects, re-work and scrap been reduced to a minimum? Can you use the scrap from this job for another product? Are the material specifications completely clear and definite?

MACHINE COSTS

Is each machine operating at maximum capacity now?

Is each machine in good operating condition?

Are machines inspected and serviced regularly?

Is the machine now being used best for this operation?

Should a special set-up man or the operator make set-ups?

If there is "idle time" of machines and operators, can productive use be made of this time?

HOUSEKEEPING COSTS

Are working and storage areas clean and orderly?

Is "junk" occupying space that

could be used for more operators, machines, benches and operations? Have you rid your area of all necessary things and arranged necessary things in proper places?

Remember that good shop housekeeping will reduce delays, waste and accidents, improve morale, make for better teamwork-thereby reducing costs.

EQUIPMENT AND TOOL COSTS

Are proper equipment and tools available?

Have they been supplied to operators?

What about gauges, jigs and fix-

Are equipment and tools properly prepositioned to permit effective work?

LAYOUT COSTS

Are the sequences of each operation in correct order so that back-tracking is eliminated?

Are the number of handlings and distances traveled at a minimum? Is all available space being used? Are aisles large enough?

SAFETY COSTS

Is the present method the safest as well as the easiest?

Does the operator understand all safety rules and precautions-and practice them?

Has proper safety equipment been provided and is it used?

Remember! Accidents cause waste of manpower, machines and materials. Accidents lowering morale, hindering teamwork, cause suffering and hardship.

WORKPLACE COSTS

Is everything that is necessary in the proper work area? Could gravity-feed hoppers or drop-delivery chutes be used? Are both hands doing useful work? Has all unnecessary hand-holding been eliminated?

PRODUCT DESIGN COSTS

Could costs be reduced without sacrificing quality by a change in design or specification? Are drawings completely clear and

definite?

With the ideas you'll find in this article, you can sharpen your own skill Corp. explains his company's experience with a

THE "BUSINESS LIFE CURVE" METHOD:

How to plan products & profits for the future

by F. S. Cornell,

Executive Vice President
A. O. Smith Corporation, Milwaukee

At A. O. Smith Corp., a simple "business life curve" helps us trace the forces that will influence our business five, 10 and 20 years from now.

We have found that this curve reflects the natural business life cycle. We use it to plan finances, production facilities, and organization changes, among other things.

But much of our planning is done by plotting our products on the life curve.

Figure 1 shows the various phases of a product's natural life cycle. At the left, the product's life begins with the engineering and development phases. As the curve rises, the introductory marketing and con-

sumer acceptance period develops. Then a rapid acceleration of sales develops, followed by a tapering off, although sales are still rising. Finally, there is a leveling off or even a drop in the curve.

In short, Figure 1 shows various stages of a product from conception to obsolescence or stability in terms of market or our share of the market.

The growth and development of a well-managed business follows the same characteristic curve as the product life cycle. Properly adapted, this curve can help guide overall company planning.

Even though this curve may be hard to draw for every product,

process, and condition, we use it as one of the first steps in planning. It locates products and processes on a *time* scale, an *obsolescence* scale and a *saturation* scale. Competition, of course, at all times influences the placement of a product on the scale.

Figure 2 shows some of A. O. Smith Corp.'s products' positioned on the same kind of chart, where we think they are today.

Product A has about reached a plateau, but a new development is in the making which may move it back into a growth situation. Sales of Product B have all but leveled off, but again, new designs are being created which may improve its position on the curve. Product C is now declining slowly because of market saturation and it threatens to ultimately fade out of the picture.

Product D is highly successful. Products E and F, introduced within the last nine years, have proven acceptance and are profitable. They will offset the loss of Product C at a later time. Product G has about the same life expectancy as Product D. Product H was nearing maturity when new developments rejuvenated it for another long run. Products I and J have gone through the developmental stage, have some acceptance and are about to turn the corner into an area of greater volume.

Because of new developments, some of the older products have been moved back down the curve several times for a new start.

Four of the chief advantages of our "life cycle" planning methods are as follows:

- It is possible to make some measurement of where our products stand in relation to the life cycle.
- It is possible to determine what the planning cycle should be in terms of months and years.
- Position in terms of volume, ca-

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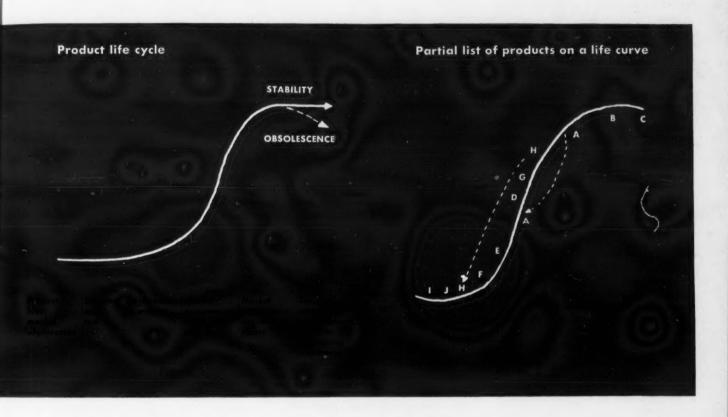
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at probing the future. In revealing detail, an executive of A. O. Smith simple but effective method of long range planning.



pacity, investment and so on, can be reviewed realistically.

■ It is possible to foresee gaps in the product lines.

Naturally, the state of our product life cycle and the company's long term objectives are closely related.

Historically, our company has been closely allied to the automotive and petroleum industries. Later product developments, beginning in 1938, have taken the company into general industrial, agricultural and consumer markets. As a result of these developments, the company now is organized on the basis of four major divisions: automotive, industrial, petroleum and Permaglas. The latter includes domestic and commercial water heaters, heating and air conditioning

and sealing storage equipment for agriculture and industry.

Our present corporate planning must consider management's desire to maintain a proper relationship between these four divisions. We view the divisions as somewhat like the four legs of a table, and if the proper relationship is not maintained between them, we feel the overall structure will not be on a sound basis.

Perhaps our corporate planning could consist of nothing more than a summary of the market studies and five-year plans made by our four divisions. If so, our overall plans would be a composite of divisional thinking. The hitch is, however, that at the corporate level it is necessary to take a longer look into the future than at the divisional level. Furthermore, top manage-

ment's objectives may not necessarily be the same as the divisional composite. That's why we feel that emphasis on planning at the very top is vital.

Company-wide planning at A. O. Smith is done through a committee of top managers from both operating and staff divisions. Planning committee meetings are held at regular intervals away from our business offices. We lay aside current operating problems so we can change our perspective and chart a long range course. Some of the subjects discussed at these planning sessions are: company organization, staff and divisional relationships, new products, research guidance, pricing policies, management controls and public relations.

In setting our plans for the future, we keep some primary questions

Planning vs. fast-buckmanship

How to make a long range company plan was concisely told last month by Harold A. McCrensky, executive vice president of Bruce Payne & Associates, Inc., in a talk before the Providence Chapter of the Society for the Advancement of Management. In a nutshell, here's what he said:

Corporate fastbuckmanship is taking over again as the business recovery moves into high gear.

Make a buck wherever you can, says one questionable business theory, and never mind whether or not it fits in with any long range plans you may have for your firm.

The 1958 recession proved this theory false. Among the companies hardest hit were the ones with no long range plans, or ones that permitted themselves to neglect or drift away from their plans.

Many executives say, "My whole job is planning," but they are kidding themselves unless their long range planning meets these requirements:

■ It must encompass the whole company—not just a division or a function. Sales forecasting is not long range planning.

■ It must be on paper. A long range plan is of little value unless it has been refined to the point where it can be reduced to words on paper.

■ It must be a living thing—a way of doing business, a guide and not a cold, dead report in the president's bottom drawer.

There are five basic steps in long range planning—nothing earthshaking, but simple steps that make planning work. Here they are:

1. Define and state corporate goals. Yours is an unusual company if even the key executives can agree on what the corporate goals really are. Goals should consist of more than a simple statement such as "To return 5% on investment." They should take into practical account such factors of risk (Is the potential gain worth the risk?), timing (Does it really matter if we get there in 1965 or 1970?), and people (What is our attitude toward employees, stockholders, management, trade, the community?).

2. Measure achievement of corporate goals to date. This requires complete honesty and objectivity. The corporate audit should include

over-all policy and management, financial position, sales and marketing, organization and staffing, physical plant and equipment, manufacturing effectiveness, research and development, quality control, personnel administration, advertising and public relations, and others. Often it is good to get an assessment from a qualified outsider.

3. Bolster weak areas; tighten management control. Once weaknesses are recognized, it is relatively easy to take steps of improvement. The planning function naturally requires current information in many forms—sales statistics, manufacturing data, economic projections. Since this same information is needed for day-to-day activities, strengthening the existing control system is preferable to establishing separate controls for the planning function alone.

4. Write the plan and get it accepted. It is well worth while to devote several weeks to this step. This insures against omissions and assures mutual understanding. This is the time to iron out details and smooth out personal differences or interpretations.

5. Put your long range planning to work. To keep the plan up to date, progress should be checked regularly and revisions or alternate plans made when necessary. This is where the hardest work must be done—often without the enthusiasm associated with the project when it is new and exciting. Audit the plan every three months in the beginning, once a year after that. Projections and detailed plans should be re-extended into the future with each audit of the plan, e.g., in 1959 the 1958-1963 plan can be extended to cover 1964, and so on.

The real key to long range planning is *participation*. Even though planning is primarily the president's responsibility, all top executives and most of the middle group should have a hand in developing the plan.

and ideas in view all the time. To enumerate a few of them:

■ What forces will affect our company growth in the future?

■ What are the company's strengths and weaknesses?

■ What organizational resources do we have now?

■ What are our true potentials, in view of competition and technological progress?

■ What about new markets?

■ Is research being guided to support the corporate concepts of long range development?

We don't just make plans, and then let it go at that. Behind our top management planning committee there is a group of staff and operating heads who work at finding ways to implement our long range plans. A full-time coordinator promotes the planning effort at both the corporate and divisional levels.

The question logically arises—What is long-range planning? Every company plans ahead in terms of its needs. How *far* ahead depends upon the characteristics peculiar to the company.

As a multi-division, decentralized corporation, A. O. Smith finds that 15 to 20 years ahead is not too long a planning look.

Several years ago, we assembled a 15-year forecast on the United States, its people and needs in 1970 as they relate to the company. This brought into clear focus the need for long range planning. As a result, our planning process was formalized and integrated into a five-year plan. This five-year plan was really an intermediate program based upon the composite of divisional forecast. Two-, three- and five-year plans have proven too short so we have decided that 15 to 20 year planning is necessary for our company.

As a result of our planning experience, we have already developed some interesting benchmarks. Here are three of the benchmarks that we use.

The company does not now try to get into any business unless we are convinced that we can make a positive contribution. Our experience shows that we are successful when we do that. When we have made "just another product" we

(Continued on page 86)

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MANAGEMENT METHODS

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Why waste money on a HOUSE ORGAN?



If your employee publication is a meaningless monthly ritual that contributes to nothing but costs, you can take refuge in the fact that few others are better. But if you want to get a return on the money you spend, consider the cases cited here. They prove that an employee publication can be tailored to do a powerful job of employee motivation.

by David Summers, President, David Summers & Associates, Pittsburgh

U. S. business will waste much of the \$100 million to be spent on employee magazines and newspapers next year.

Authorities in communications, including those on the union side of the fence, agree that much of the money is going down the drain because most employee publications simply miss the boat.

"The inescapable fact," says William Scholz, manager of employee and plant community relations publications for General Electric Co., "is that in the majority of cases, the time, money and effort being expended on employee communications are sizable debit items with-

out a single balancing entry on the black side of the ledger.

"You need only glance at a typical company publication, with the columns of personals and studious avoidance of facts about the business, let alone controversial issues, to have grave misgivings as to the value of the medium as it is presently being used."

Management attitude toward employee publications is a paradox. What well-run company would make an investment in personnel or equipment without expecting a fair return? Yet how many companies spend thousands of dollars every year for employee publications

and casually excuse the house organ from obedience to the economic facts of life?

Who's to blame? Many communications experts place the blame squarely on management's shoulders. In too many instances, they claim, management actually won't let employee publications do a good job. As one put it:

"Many employers give the impression of insincerity in telling their stories, use ineffective methods, inform employees too late, or never get around to informing them at all."

The only sure way an employee publication can begin to justify its





Employees can get recipes, children's feature and birth announcements (above) from sources better equipped than the company publication to provide such things. Studies show that what employees want most from their house organs are real news and facts about the company—information that pertains directly to their jobs and wellbeing (see right).

Don't be afraid of controversial subjects. Employees want facts

existence, says another critic, is by giving employees the straight facts about the company but, unfortunately, management seems afraid to face the vital issues forthrightly. All too often, management prefers to play it safe by feeding employees pap in the form of chit-chat, sports and cookie recipes.

A union officer offers this criticism of company magazines:

"When we look through the papers and magazines published for employees by the corporations of this country, we find that they omit mention of any of those concerns which the workers consider so vital. They are filled with stories of weddings and births, pictures of fish caught on vacation

"I wonder how the editors of the papers or the owners of the plants can expect their employees to have confidence in anything a paper says when the paper ignores the basic problems in which the worker is concerned."

If management would take the trouble to explain its position on important matters it would be a lot better off, says another union of-

ficer. He adds:

"If they'd come out in their house organ and explain why they're going to do this or that, who's going to be affected by a layoff and how long it will last, then the employees would be able to make their plans. More often than not, they'd be willing to cooperate."

Management, however, seems to fear that the truth would do more harm than good. Words like "layoffs," "strikes" and "grievances" are anathema. Stay away from anything smacking of controversy, editors are told. Employees won't read anything controversial, anyway. If they do, they won't believe it, or worse, they'll resent it.

Surveys indicate the opposite—that employees are eager to learn as much as possible about matters that affect their company and their jobs. The Association of National Advertisers, Inc. polled 300 employees at six major companies; 97% said they believe what they read in the company magazine and four out of five read their magazine regularly.

What do employees read in these publications? What do they want to know?

"There is actually little conflict between what employees want to know and what management wants to tell them," says the employee relations research chief for a large U. S. corporation. "An employee generally wants to know how his work is being received and its relation to the progress of the company. He wants to know about his security—company plans for the future and how they affect him individually; job stability; labor policies—and his opportunities.

A survey made by the National Association of Manufacturers among 100 companies showed that contrary to the claims of those who believe in only entertaining employees, workers want specific information about:

1. Their company's background, organization, products.

2. Company policies, especially new policies affecting them and their fellow workers.

3. Company plans such as changes in location or methods and how jobs will be affected.

4. Their jobs and how they will be affected by strikes, material shortages, defense needs.

5. How their jobs fit into the scheme of things and chances for advancement.

6. Outlook for business and prospects for steady work.

7. Their company's income,

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as they affect security, layoffs, grievances, company plans.

profits and losses and plans for future growth.

8. Reasons for layoffs and how they will be affected by them.

The Association of National Advertisers' survey also clearly indicated that the interest of employees lies not in chit-chat about weddings and births, but in news about the company. Ninety per cent of the 300 employees who were polled said they read at least some of the articles on specialized department news. This far overshadowed chit-chat (55%), sports (55%) and even cartoons (69%), usually the feature which has one of the highest readerships in consumer publications.

One of the companies was pleasantly surprised to find that 83% of the employees who were polled "read most" of a regular feature in which they are informed not only what contracts the company bids for but which it wins—and loses.

Despite clear-cut evidence like this, many companies still think the primary purpose of their employee publications is to entertain and not to inform. A survey of 100 companies, for example, showed that 74% of the publications devote space to worthless gossip about em-

ployees while only 36% cover news that interprets company economics and profits.

But if entertainment is the objective of employee publications, says one frustrated editor, they have no reason for existence. Magazines, newspapers, radio, television and the movies all do a much better job.

"Even if the purpose of an employee publication were merely to entertain," says another house organ editor, "all you have to do is leaf through one to find that they are about as entertaining as a stockholders meeting after a bad year."

Or, as another editor explained it, "the question is not whether a publication communicates. It obviously does. The question is: Does it communicate anything worth hearing?"

Most editors are aware of the potential power of their publications and try to do a conscientious job, but they are too often frustrated by overly-cautious managements. The most repeated excuse for using only innocuous material is that management "doesn't want to give the union ammunition" about sales and profits. "Let's leave that out," is the stock reply to the editor's sugges-

tion. "We've got negotiations coming up soon."

Critics agree, however, that this argument doesn't hold water. It's a rare union that isn't armed with every necessary statistic about a company's finances before it sits down to the bargaining table. And it doesn't get those statistics from employee magazines.

What management doesn't seem to realize, says a former house organ editor, is that it actually is hurting itself by not giving employees the facts. This is substantiated by a survey among workers in a variety of industries throughout the nation. These workers were asked what return stockholders received on their investment. They were not given a multiple choice; instead, they were asked to name a figure.

One-third placed the return at 10% or more and one out of every five thought it was 25% or more. Employees who think that are not likely to hesitate to vote in the affirmative when a strike ballot is taken.

The anomaly of the situation is that management evidently knows its entertainment sheets aren't doing a job. When business



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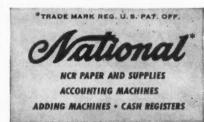
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gets bad, these employee publications are among the first items to be pruned from the budget. During the 1920-21 depression, for example, 30% of the nation's house organs were suspended. In the early '30's, half of them fell by the way-side.

Yet a hard-hitting employee publication can earn its keep not only in the intangibles, such as molding favorable employee attitudes, but in dollars and cents terms. There are a number of good illustrations of this:

One company found that power consumption was too high at one of its plants. The employee publication spearheaded a drive at the 1,300-man installation to reduce power consumption. Stories and pictures hit hard and to the point. They told employees the cost of power per man and estimated the savings that were possible if each man did his share to help. They informed workers of the specific ways in which they could help conserve heat, water, electricity and brine.

Result: management estimated that savings the first year amounted to \$100,000.

An eastern railroad found that customers sometimes underestimated the weight of their shipments, thus costing the railroad revenue. The firm's publication appealed to employees to double check weights. As a result, the railroad collected on an additional 770,000 pounds of freight in one year. One employee alone discovered errors that meant an extra \$2,000 revenue to the railroad.

Another company house organ conducted a drive to induce workers to wear safety glasses. Careful records were kept on accidents which might have resulted in the loss of eyesight if the employee had not worn safety glasses. In one year, almost \$60,000 was saved in compensation costs on accidents that "might have happened."

Still another firm was appalled to find that its insurance costs were skyrocketing because of a high auto accident rate among its salesmen. Other channels of communications were used to no avail. Then the employee publication hammered away at a safety theme in a planned series of articles. Result: the auto fleet accident rate plunged



Increased postage rates—4¢ for first class, 7¢ for airmail—emphasize the importance of using only a *precision* mailing scale in your office. Ordinary scales are too risky... could be costly!

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(Circle number 154 for more information)

where do his decisions count the most



Each year an untold number of expensive man hours are lost when executives are transferred.

They find themselves tied down with moving details, just when they should be stepping up to their new responsibilities.

But now, United Van Lines eliminates costly lost time by "Pre-Planning" all the details for the family that's moving. And only United Agents provide the added safeguard of Sanitized vans.

For convenient "Pre-Planned," Sanitized service, call the nearest United Agent. He's listed under "MOVERS" in the Yellow Pages.



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(Circle number 167 for more information)

80% even though the fleet grew 26% and mileage increased 50%.

The success of those house organ campaigns further corroborates two important points made by advocates of the straight-facts:

1. Employees obviously read non-entertainment articles.

2. Employees generally will cooperate with management when they are given the full story.

Dr. J. W. Riegel, director of the Bureau of Industrial Relations at the University of Michigan, also found this to be true in a survey he conducted among 127 employees of eight companies. In his book based on the findings of the survey, "Employee Interest in Company Success," Dr. Riegel points out that even unskilled (and presumably poorly-educated) employees are cognizant of the interrelationship between their jobs and the success of their company.

"I like to know how the company is doing," an unskilled female assembler told the interviewer, "because if it is doing good, you feel that your job is more secure."

"When the company is going ahead, I'm not worried," said an unskilled punch press operator. "When it's going ahead, so am I."

If employees understand and approve the actions of management, Dr. Riegel concluded, "they do not readily accept unfounded rumors and misinterpretations about them.

"A program of explanation will not bring about employee acceptance of all of [management's] goals or methods, but such a program can create a tolerance of, and accommodation to, management decisions which are not immediately advantageous to employees."



ABOUT THE AUTHOR

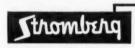
David Summers has an extensive background in the production of employee publications, and is presently writing a book on the subject. Late in 1957 he established his own firm—David Summers & Associates—a public relations company which also offers consulting services for employee publications.

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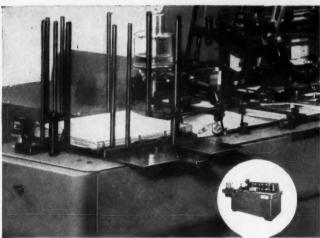
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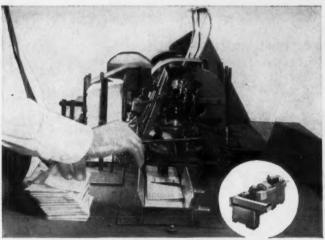
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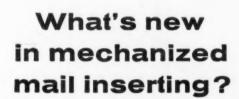
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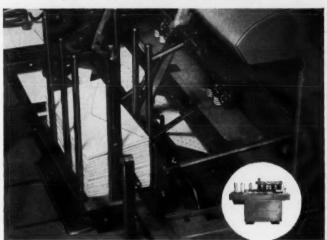


Universal Size Phillipsburg Inserter



Open-Feed Station Attachment





Punch-Card Attachment

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Bell & Howell Phillipsburg Company, pioneer and world-leader in mechanized mail processing equipment, is busy designing and engineering new machines for every mailer, large and small. Here are only three exciting new developments in Phillipsburg Inserters – more are on the way!

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Ask us to help you solve it. Send Coupon...



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Send more information on ______ (mailing problem)
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(Circle number 106 for more information)

How companies use operations research

O.R. is on the upswing in usefulness as a management tool. More than half the firms surveyed by AMA now rely on it as a decision-making technique. Individual firms report dollar savings up to \$2 million as a direct result of its use. Here are the figures on O.R.'s scope and importance in companies questioned.

Operations research today is recognized as a valuable tool in management decision-making. Of 631 companies responding to an American Management Association survey, 324 or 51.3% are now using operations research techniques. Of the 307 companies not using it, 144 indicated that they are considering its adoption in the future.

A breakdown of the industries responding to the survey shows that chemical and allied companies accounted for the largest percentage of users of O.R., with electrical and electronic manufacturing companies a close second. The 19 firms in the aircraft industry reporting operations research work, representing only 5.5% of the 324 companies, report almost one-fourth of the per-

Average size of the operations research group is 6.5 persons, the survey indicated. The aircraft companies reported the largest groups an average of 19.7 persons-and the food industry the smallest, 3.1

The background of those in operations research seems to be predominantly engineering (42.3%), the survey showed. However, the aircraft industry contributed over one-half the engineers but represented less than one-third of the total personnel. The next largest categories were mathematics (15.6 %) and statistics (11.4%).

Some 200 companies reported that operations research personnel came from within the company. The rest of the companies responding to this question were equally divided on obtaining personnel from universities and from other companies. Training programs are in force in 111 companies; 114 use university courses, and 54 use consultants for training.

Applications of operations research are being used most on production problems, the survey revealed. Seventy-two per cent of the respondents to this question mentioned production, 64.4%, sales and marketing and 64% inventory prob-

Over 1,000 projects were listed, either by titles or by general classes. A description of the projects revealed that the solution of problems was not the only objective of setting up an operations research group. Sixteen companies said they are doing it for training purposes.

Some 288 companies replied to the question: what results have been achieved by operations research programs? Of this number, 167 felt it was too early to tell, 75 said there had been considerable improvement in operations and 55 indicated appreciable savings. Savings of more than \$100,000 were reported by seventeen companies, more than \$1 million by five, and over \$2 million by two.

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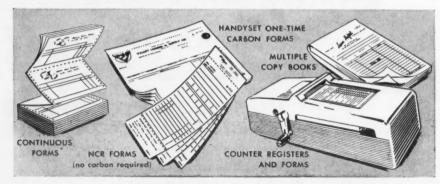
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Six thousand sheets per hour can be manually collated with new device.

collating speed is 6,000 sheets per hour, the manufacturer states.

Made of aluminum, the collator weighs only seven pounds. It is compact, measuring 15 inches high, 17½ wide and 11 deep. The unit accommodates any size paper up to 17 by 14 inches. Each of the 12 stations holds 500 sheets of 16 pound paper.

For more information on this collator, circle number 291 on the Reader Service Card.

Portable typewriter has major features of standard models

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... with a planned Invincible executive suite: stunning new Mono-Wing Modernaire desk with Aerogrill pedestal, Modernette modular lateral work area and wall ensemble. Our now amiable executive actually gets more work done with less effort.

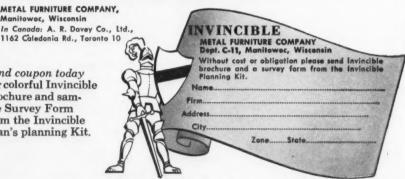
The Invincible Man offers planning service to solve any office bottle-neck - and the world's finest steel furniture for all executive. professional and general office requirements.

*Not really wearing shining armor, the Invincible Man is nevertheless a doer of great deeds. Call on him for periodic office planning check-ups.



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(Circle number 139 for more information)

standard sloped keyboard with finger-curved keys. Magic Column Set gives the same automatic keyboard tabulation as in standard models. The machine also has 10-second



Unitized construction of new portable typewriter firmly hugs desk or table.

"white glove" ribbon change, Magic Margins and Line Meter.

It is available in four two-tone combinations to complement any office or den decor. The typewriter comes complete with simulated cowhide carrying case, luggage tag and plastic dust cover.

This newly designed portable would make an attractive and practical Christmas gift.

For further details on the Futura typewriter, circle number 294 on the Reader Service Card.

PLANT LOCATION

Facts, figures, facilities of the State of Arkansas

Months of research went into preparation of the new comprehensive Arkansas Encyclopedia. This four-volume, 500-page reference shelf is an easy-to-use tool in evaluating industrial opportunity offered by the state. It can be used to advantage by executives concerned with plant location, as well as those interested in sales and economic potential of Arkansas.

The directory of Arkansas industries cross-indexes more than 3,000 manufacturers alphabetically, by product and by location.

The economic atlas gives economic logistics of the state, proillustrated with detailed fusely

Another volume is a fine pictorial presentation of Arkansas places and people, and the fourth book reviews the industrial history of the state.

The complete set of four volumes

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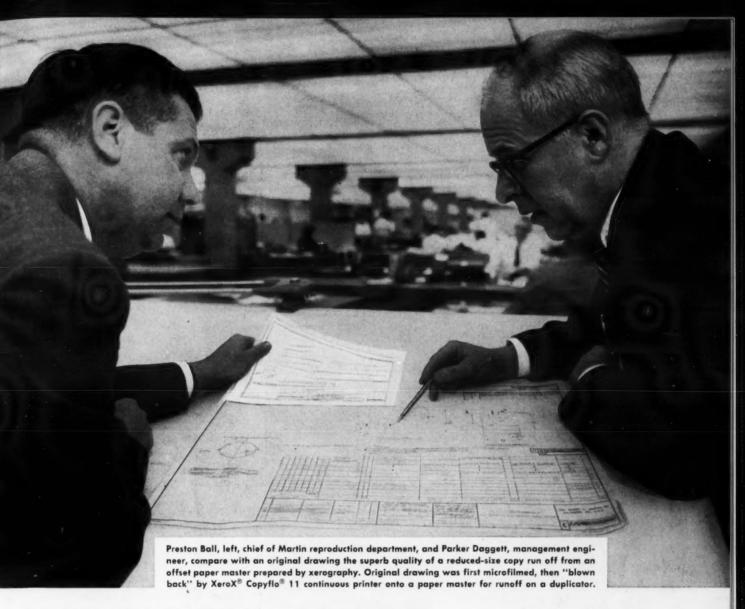
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MARTIN saves \$85,000 yearly

A XeroX® Copyflo® 11 continuous printer, enlarging disposable microfilm onto a continuous roll of offset paper masters, is saving Martin of Baltimore \$85,000 a year in the reproduction of engineering drawings and drawing-change notices.

The Copyflo continuous printer, operating on the electrostatic principles of xerography, is completely automatic, enlarging microfilmed engineering drawings and change notices onto a continuous roll of inexpensive, offset-paper-master stock. This roll, 2,000 feet long by 12 inches wide, is then cut apart into individual masters for the runoff of multiple copies on offset duplicators.

Here are some of the advantages of the Copyflo 11 continuous printer to Martin of Baltimore:

- · Annual savings of \$85,000.
- Output of offset paper masters has doubled; no increase in personnel.
- Average of 20 minutes saved in engineering department on each of 50,000 yearly change notices.
- · Improved quality of runoff copies.
- Specification books, training manuals, etc., now printed in half of former time, with half the paper and half the collating.

Where the copying of a few or (Circle number 129 for more information)

thousands of different documents is needed daily, look to automatic xerography for the convincing answer. Copyflo printers enlarge, reduce, or copy same size. They offer the speediest, most flexible, most economical method to get copies precisely like the original—either from the document itself or from microfilm. For complete information, write HALOID XEROX INC., 58-202X Haloid St., Rochester 3, N. Y. Branch offices in principal U.S. and Canadian cities.

HALOID

is priced at \$25. However, qualified industrial executives can secure the entire encyclopedia without charge from the Arkansas Industrial Development Commission, State Capitol, Little Rock, Ark.

METHODS

New process produces unlimited photocopies

Cormac Photocopy Corp. has developed a new chemical process that permits reproduction of any

quantity of photocopies from one master.

Unlike many other processes, PolyCopy, as it is called, utilizes the negative sheet as the master from which any number of duplicates can be made—at about half the cost. Masters can be retained indefinitely for future use.

The maker states PolyCopies retain the clarity of the original and all inks and colors are reproduced in black on white.

The multi-copy device is sold as an accessory to existing photocopy

equipment and is priced at \$79.50. For more details, circle number 293 on the Reader Service Card.

BUSINESS RELATIONS

One way to skirt problem of business Christmas gifts

The problem of what to give business associates at Christmas is often an acute one for executives. Public relations managers, for example, face this dilemma: The gift must at all costs avoid the appearance of a pay-off for past or future favors.

At the same time, the executive's position requires that a gift be somewhat out of the ordinary, not casual or inexpensive, and in good taste. Ideally it should be universally appealing to suit both sexes and varying personalities. It should have a permanence to insure favorable remembrance after the season is over.

Last year, Irving Smith Kogan, public relations director of Hicks & Griest, Inc., a New York advertising agency, used a gift which fulfilled all these requirements. He sent out giant "Christmas cards." Each was a handsome 16- by 24-inch full-color reproduction of Utrillo's Montmarte church street scene, "Eglise Saint Pierre et Sacre Coeur." Suitable for framing, the painting used a new process that reproduced in relief the painter's actual brush strokes. Thus, it looked almost like an original and echoed the traditional spirit of Christmas.

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THIS MOVE IS EASY . . . THIS MOVE IS NOT

Go ahead. Move the equipment. You control its operating efficiency. But the man and his family present problems. His efficiency in new surroundings depends upon community acceptance.

THE HUMAN SIDE OF PLANT LOCATION:

This is where the Carolinas excel. Genuine warmth and friendliness are natural resources. Newcomers know they are welcome right from the beginning.

The same attitude is reflected in a newly modernized corporate tax structure.

Certainly in this industrial climate a plant and its personnel will take root rapidly and grow happily.

CAROLINA POWER & LIGHT COMPANY

We invite you to use our plant location services in confidence and without obligation. Contact D. E. Stewart, Mgr., Area Development Dept., Raleigh, N. C. TEmple 2-4611.

(Circle number 111 for more information)

PAYROLL

New tax guide saves payroll computing time

Calcu-Tax is a device designed to simplify payroll tax computation. It shows withholding tax and the new 2½% Social Security deductions all on one line for all wage graduations up to \$250.

With this easy-to-use computer, designed by Calcu-Tax Corp., there are no pages to turn, no calculations to perform. No special skill is required to use it. A plastic sliding guide is simply positioned at the desired wage bracket and the underlined figures copied off. The device is priced at \$6.95.

For more details on this tax computer, circle number 297 on the Reader Service Card.



"Will somebody please find Jensen!"

(With pagemaster you'd find him in seconds!)

How often do you waste enormous amounts of time and energy—send your blood pressure soaring—because you can't find key people when you need them?

With a PAGEMASTER selective radio paging system by Stromberg-Carlson you can reach the people you want instantly. You can measure the value of PAGEMASTER in terms of time, sales—even lives.

Here's how it works. Jensen is equipped with a transistorized pocket-size radio receiver. When you want to contact him, you call him by phone. If he's away from his usual location, your switchboard operator sets his *private code signal* on the encoder (a compact unit located next to the switchboard) and flips a switch.

Instantly his receiver—and no other—responds with a pleasant, but command-

ing signal. He knows he's wanted, picks up the nearest phone and reports. The page

automatically repeats every 20 seconds. As many "Jensens" can be equipped with receivers as you want.

You can have a PAGEMASTER system engineered to your own requirements, whether yours is a

single or multi-building operation. Systems are available for lease or purchase. As your needs grow, you can add receivers without additional installation cost.

For details, contact the PAGEMASTER distributor in your area. Or write to us at 201 Carlson Road.

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(Circle number 164 for more information

How to plan now for the

EUROPEAN COMMON MARKET

AMA's new management report on the European Common Market is for anyone presently doing business abroad or considering a step into foreign markets. In this book, 10 qualified contributors explain the impact of ECM on American business, reveal facts about the new markets it will create, and show how to tap these markets. The following excerpts, condensed from various sections, are reproduced by special permission.



THE BOOK

THE EUROPEAN COMMON MARKET. American Management Association, 1515 Broadway, New York 36. 256 pp. 1958. \$6 (AMA members: \$4).

As visualized today, the European Common Market represents about 168 million people as against 172 million in the United States. With the Free Trade Area, if it materializes, the total will approximate 240 million. This means a combined gross national product of around \$200 billion, about half the \$400 billion of the United States' gross national product. And per capita income in Europe is in the neighborhood of \$800 as compared to about \$2,000 in the United States.

Projecting these figures on the basis of past trends and existing forecasts, this is what the picture may look like by 1970: a less than 10% rise in the population over current levels; a 50% rise in the combined gross product; and about a 40% improvement in per captia income. This means that by 1970 each of 260 million Europeans will have added an extra \$300 of purchasing power to his present income of \$800, and it means that the Common Market will have an additional output of about \$100 billion over and above the present \$200 billion.

Unique opportunity for American investor

Taking the same very rough projections for those other parts of the world that are of potential interest to the American investor, excluding the United States and Canada, as well as the Communist bloc, compare this European Common Market, including the projected Free Trade Area, with the aggregate total of accessible Latin American, African, and Asian areas. The total output of these areas is currently in the neighborhood of \$200 billion a year; and, like the Common Market, they too can look forward to an additional output of \$100 billion by 1970.

But, while the total economic output of each of these groups is fairly evenly divided, they differ greatly in respect to population, growth, and per capita income. Population growth in the Latin American, African, and Asian areas is on the average about three times as fast as in Europe, meaning that to the present low income level of about \$150 per person only an extra \$50 may be added by 1970.

This comparison is important. It shows that, outside the United States and Canada, nowhere in the Free World will we find, in a highly concentrated geographic area, 260 million people who, within only 15 years, will each have about \$300 more to spend on things other than those needed just to stay alive.

There are four keys that will open the door to this European Common Market for American enterprise, that will enable U. S. manufacturers to establish themselves with the French, the Germans, the Italians, the Belgians, Dutch, and Luxemburgers who make up the new economic community. These are:

1. Knowing, first of all, *the specific problem*, represented by your company and your company's products. This is, of course, self-evident.

2. Knowing the techniques of marketing and the tools of communication in general. These will be used in Europe just as in the United States; they will only have to be adapted to serve a specific European market and mentality.

3. Knowing the pertinent treaty provisions and their economic consequences in order to adjust your policy

NOVE

This ADVANCED Calculator turns minutes into money



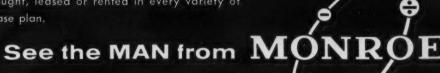
Here is the master of the minute...the Advanced Monro-Matic Calculator! It automatically trims minutes from every figuring job. Automatically locks accuracy into every answer. This is truly the world's most advanced calculating machine. That's why Monro-Matics are being purchased today by business leaders like these:





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Any number of **Countrol Systems** can be based on the

Simple punched-card systems, based on Vary-Tally Multiple Unit Reset Counters, give complete and up-to-

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VEEDER-ROOT INC., Hartford 2, Conn.

"The Name that Counts"

(Circle number 168 for more information)

No more seating fatigue with **RASTETTER** Chairs that Fold

How important is seating comfort in your conference rooms and offices? One executive said, "The mind can absorb only as much as the seat can endure.' cushions of all Solid Kumfort Chairs that Fold are comfortably upholstered to reduce seating fatigue. And you can choose from 21 tastefully designed models in five finishes for wood and two metallic finishes for magnesium chairs. Seventeen attractive leatherette colors.

The famous steel Hinge and Brace construction makes Rastetter Chairs far stronger than conventional chairs of equal weight. Rastetter Chairs fold flat with one simple motion, yet when open do not look like folding chairs. Extra chairs store compactly; all are easily moved. For seating comfort, choose Solid Kumfort Folding Chairs.

Write today for descriptive portfolio and prices! **FOLDS**



LOUIS RASTETTER & SONS CO.

1344 Wall Street • Fort Wayne, Indiana • Fine Furniture that Folds

(Circle number 155 for more information)

making to the consecutive shifts in the Common Market.

4. Knowing the facts of life in Europe.

The human problem is certainly one of the most difficult in relation to ECM, because there are no statistics or data that are sure to apply throughout the transition period as the Common Market takes effect. On the other hand, there are certain factors-geographical and historical elements, traditional backgrounds, basic economic trends, and the like-which have influenced Europeans in the past and will continue to do so in the future. And a few of these must be kept in mind continually by the American company seeking to enter the Europe of the Six. You must see Europe as a gathering of human beings, not just a complex, interrelated pattern of treaties, laws, and economic statistics.

Advice to company management

Is there any immediately useful advice which can be offered? Here are a few basic considerations which should hold true in most circumstances, and will govern American company policies and attitudes in the European Common Market:

- 1. Work closely with governments and government administrators. They are eager to win the best possible place for their people in the Common Market and so are preparing all kinds of protective devices. Most countries will have a cabinet minister for Europe who will be responsible for ECM relations at the governmental level, maintain contact with the nation's business people, and convey their wishes and complaints to the supra-national authority.
- 2. Pay your respects to countries but think in terms of economic areas. European economy will be dominated by such areas, some of them wealthy, some poor. To prevent the attraction of wealth from being overpowering, governments have conceived great plans and projects for their backward sections: Italy hopes to provide energy and bring business to the Mezzogiorno by building roads, dams and housing; and, in France's southwest, Toulouse will be the center of a prosperous area with cheap energy from natural gas resources and special concessions to newcomers. Regional committees are spreading like wildfire, (in France alone there are more than 70), granting free space to industry, financing market studies, sometimes even building complete plant units for rental.

This area thinking should influence your company's sales message, marketing approach, and public relations as much as national considerations.

3. Start early. In the marketing chaos that will accompany the gradual enforcement of ECM regulations, early comers will have a better chance of survival if they win acceptance for their products before competitors gain preferred positions. There is more brand loyalty in Europe than in the United States, probably because Europeans are traditionalists. After a period of confusion, new brand loyalties can be expected to grow; therefore, companies must act fast to organize an effective sales force in each country.

The shuffling of salesmen, sales organizations, whole-

NOV



WHATEVER YOU DO THERE'S ONE FOR YOU

Speedy, quiet and so simple to operate! These truly modern adding machines—the most complete line of adding machines anywhere—make a Burroughs your wisest buying choice, whether it's a ten key, a full keyboard, or a thrifty hand-operated model.

Accuracy and dependability are yours, too, plus shadow-touch keyboard, self-repeating multiplication key, and—in the electric models—instant credit balances. Wide choice of tasteful colors; a wide range of capacities in all models.

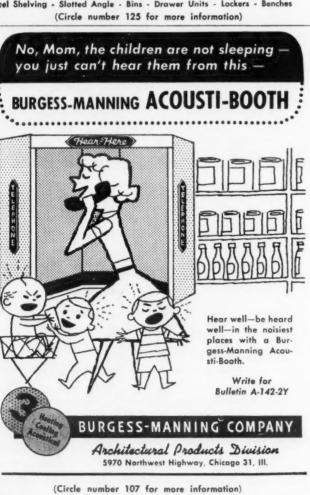
For a free demonstration just phone our nearest branch or dealer. Burroughs Corporation, Burroughs Division, Detroit 32, Michigan.



Burroughs Corporation

(Circle number 108 for more information)





salers, and retailers will be tremendous. Imagine the plight of the French Citroen representative with Volkswagen competition. At first, and despite specialization agreements, companies will confuse their dealers by trying to preserve brands where they have the slightest chance of success. In all cases, the best dealer will be the hardest to get.

4. Be American, but put on a European face. American managerial techniques are spreading all over the world, and they are just as effective in Europe, with minor adjustments, as they have been in the United States. The most successful European firms are those that have succeeded in applying these techniques and the American approach to management.

But use the language of the country, shake hands 20 times a day with the foreman if you must and take two hours for lunch if it is the custom. People will appreciate the small effort you make to look the way they like you to look, and they will make a big effort to work the way you like them to work. This should not prevent you from trying to make reforms in business habits (for instance, adoption in Europe of the unbroken nine to five workday would be a great step forward), but you should always work through local habits.

5. Look out for gaps in the product line. Alertness here will be a "must" as the new market gradually builds up. Many products which formerly were made by hand because of their very limited market will now justify full machine production. You should therefore make a complete study of the lines you are interested in and keep checking up on their possibilities until the time seems ripe for action.

Take furniture, for example. In Europe, this field is plagued by two evils: high production costs and too many types with small runs. At least one type, however, is made in most countries—the modern lightweight furniture—and this could be mass-produced very cheaply under the Common Market.

6. Don't overlook Africa. France and Belgium still control extensive territories here which will be open to the six members of the Common Market who have agreed to contribute to a limited development fund. For these countries, Africa is what the west has been to the United States—a land of hope and promise. Africa offers a golden opportunity for Americans to help create new markets for U. S. and European enterprise.

Generally speaking, instead of Horace Greeley's "Go west," one might say to the American investor, "Go south"—whether it be the south of Europe or Africa. In all these underdeveloped areas, there is a great job to be done, and firm ground in which to establish oneself.

7. Play it square—plan for long investments. To quote J. R. Cooney, managing director, Société Anonyme Burroughs, France: "In the past, many American companies have considered foreign business as risk investment (risk of war, risk of inflation, risk of confiscation, etc.) . . . and as a result have demanded too big a return on their investment at the expense of expansion. Today the risk is reversed; that is to say, if investments are not made and profits used for expan-

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sion, the risk is very strong that the Common Market will be lost to those who choose to wait and see."

8. Make your company and each of your men a U. S. ambassador. They will be considered as such in any case. International public relations is the first factor to bear in mind when recruiting and training employees for foreign service. Commercial and technical skills are only part of the requirements.

To quote John W. Hill, "When American management functions in another country and its operations affect foreign lives immediately and visibly, it represents the whole United States. Hence, the American corporation abroad is no longer making just economic history but is making American political history." And further, as one American businessman has said: . . . Americans sent abroad must be high quality public relations men. They must be able to represent both [the company] and the United States in the business and social community in which they are to live. . . . Only in this way can we attempt to overcome any natural resentment that is built up among the nationals of the foreign country concerned when they see another American brought in to fill one of the better jobs to which they themselves might aspire."

9. Use local employees. Most Americans are reluctant to employ foreign personnel for anything but the most down-to-earth jobs. Why? Is it the language barrier? A feeling that the other fellow is not to be trusted?

How many Americans abroad really try to meet and understand the people of the country where they work and live? We see them everywhere, bundled together in American clubs, bars, and communities, carefully avoiding contact with the "natives." If only they would understand that this attitude cannot help to establish good public relations!

Conclusions

On the whole, as we have pointed out, the European is a skeptic, hard to convince. Typical American attitudes and turns of speech—in particular, the frankness on which many Americans pride themselves—may very well rub him the wrong way or win nothing but jeers and sneers. Therefore, let your thoughts be "translated" and your steps be guided by *local* people, with *local* know-how.

There is a great opportunity for your company in the European Common Market because—

- You are experienced in coping with large markets and mass distribution.
- Europe will be a complementary market for you. It is not so vulnerable to crisis, because it is primarily a market for essential products covering basic and not artificially created needs. The economy is not so sensitive as in the U. S.
- By investing money in the European Common Market, you are reducing the need for U. S. foreign aid by reducing the dependence of Europe on the United States and increasing product sales in the United States.

American business cannot afford to let go unchecked both a new productive unit and a market soon to equal its own. Therefore, try to outsell ECM before it outsells you.

Universal Atlas Cement Co., subsidiary of U. S. Steel Corp., N. Y. C.



Same room, <u>twice</u> the space ...with new, custom-built HOWE FOLDING TABLES

Multi-purpose use of valuable floor space at Universal Atlas Cement Co. "decreases space costs, increases space usage, improves general operating efficiency." So finds Alwyn W. Ogden, Office Manager.

HOWE Folding Tables are an important part of Universal Atlas' Multi-purpose room set-up. Handsome HOWE Folding Tables fold and unfold in seconds, can be handled by one man.

FREE! Make more efficient use of valuable floor space with HOWE Folding Tables. For free information, write for illustrated folder today.

Custom Division

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	EW YORK 16, N.Y. MM-118	
Please send me your fr custom-built HOWE Folding	ee, illustrated folder describing ng Tables.	
My name	Title	Market Printerson
Company		
Address		
City	ZoneState	

Case history



Spaciousness keynotes president's office. Natural curtains and pale yellow overdrapes emphasize airy feeling. Cherry panelling and cabinets contrast with gleaming aluminum trim. Aluminum yarn brightens black carpet.

Officials of Reynolds Metals Co. were in unison. Their proposed new company head-quarters in Richmond, Va. could be a lot more than simply a functional and appealing office. They agreed that, in addition, the building could:

- Add a stride to the new pace and pattern of the industrial South.
- Reflect the feeling of a manage-

ment whose thinking is both solid and progressive.

- Demonstrate to best advantage the limitless use of Reynolds' product—aluminum—as a building material.
- Provide complete flexibility in order to satisfy shifting space needs during the next decade or two of growth that cannot be estimated.
- Give employees the kind of

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MANAGEMENT METHODS

of a building at work



As in all Reynolds offices, this one looks out on a panoramic view.

workplace that would stimulate better performance and cut the high cost of clerical turnover.

Plans for the building began five years ago. By last month, with the completed company headquarters officially in use, it was clear that the planned goals had been met.

New tradition. From a panel of 13 leading architects came evidence that the Reynolds Metals This new headquarters of a growing company is designed to do more than provide a comfortable and convenient place to work. The building also serves as a management tool that will contribute to company growth and profits. Here's how.

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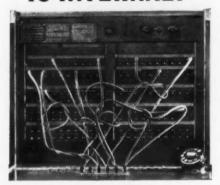
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Instant communication by DUKANE saves time and steps. DUKANE provides dependable intercom, private automatic telephone, paging, emergency alarm and evacuation, and background music facilities. DUKANE systems may be used separately or in combination, for complete flexibility and versatility. DUKANE'S communication systems are custom-engineered from mass-produced components—give you the most economical combination for your individual communication needs.

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Send me information on DuKane systems for better business management.

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Address.

City & State

DuKane sound systems are installed and serviced by a Coast-to-Coast network of more than 300 engineering distributors

(Circle number 122 for more information)

"Our new office is more than a showcase-



Hexcel Honeycomb ceiling evenly distributes light, filtered conditioned air, music by Muzak in this typical open work area. Sleek Italic styled desks harmonize with angular architectural motif. Minimum drawer space discourages unnecessary retention of papers. Accessories are fashioned of aluminum.



Ultra modern directors room is dominated by cherry topped table and comfortable black leather chairs. Drapes are deep red, curtains off-white and carpeting charcoal. Out of view is one of many original paintings, a feature in all executive quarters, by Le Corbusier, Picasso and other modern masters.

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MANAGEMENT METHODS

it's an important sales tool."



building is a symbol of the modern trend in southern business. The 13 architects, endorsing a state-wide study made by the Virginia Museum of Fine Arts, called the building the most significant structure built in Virginia since Thomas Jefferson designed the University of Virginia. But amid the sounds of praise arose one dissenting voice. Said Architect Frank Lloyd Wright: "If anything less Virginian could be imagined, I could not."

What Architect Wright could not imagine is a square, four-level, aluminum-and-glass building containing about 300,000 square feet of working space. It is set in the middle of 160 acres of rolling Virginia landscape adjacent to a Richmond residential area. Exclusive of land and landscaping, the building cost \$11.5 million.

Among the dominant architectural features is a system of 880 giant sun louvers, each 14 feet high and 22 inches wide. Flanked in double rows along the east and west faces of the building, the louvers shield out heat and glare, reduce air conditioning costs. The system is geared to an astronomical



Photographed at Connecticut General Life Insurance Company, Hartford, Conn.

Now, one Mary can do what 13 used to do!

Mary and the Macey Collator Stitch-A-Fold system can feed, collate, stitch and fold 36,000, 6x9" sheets of paper (3,000 booklets) an hour—the same work that normally takes 13 people working top speed.

The Macey Collator handles sheet thicknesses from onionskin to cardboard, and it's accurate... never needs a coffee break.

The Macey Stitch-A-Fold jogs booklets perfectly; staples them; folds them into finished booklet form, ready to mail. One girl can work these two machines in tandem to bind your own books — from single sheets to finished form. The system pays for itself in months.

FREE SURVEY OF YOUR PLANT OR OFFICE

Want to find your collating and paper gathering costs (including hidden costs)? We'll do a free survey of your plant or office without interrupting any work schedules. Write today, no obligation.



MACEY COMPANY

A Subsidiary of Harris-Intertype Corporation 13835 Enterprise Avenue, Cleveland 35, Ohio

(Circle number 144 for more information)



A boon to chart and graph makers, engineers, draftsmen, layout men, methods men . . . anyone who has occasion to "draw" broken, dotted or solid lines . . . these new 1/16" and 1/32" Chart-Pak Curve-Line Tapes can save hours of drudgery.

(1/16" Curve-Line)

Precision printed, precision slit, pressure-sensitive, Curve-Line Tapes are easily applied either freehand or with the new Chart-Pak "Tape-Pen" (shown above) — make straight lines, curves, angles, smoothly and accurately. Correct instantly simply by removing and replacing tapes. The charts can then be reproduced by any standard method.

(1/32" Curve-Line)

Available in 8 styles, 14 colors, Curve-Line is the newest addition to the Chart-Pak Line of pressure-sensitive tapes — which incorporates hundreds of patterns and combinations. Templates for plant and office equipment layout, Pictograph, flow-chart and other symbols, point-sized newspaper borders, and plastic workboards also available.

 Facilities for special printing, precision slitting, of special patterns, templates and symbols to your order.

For Full Information	and name of distributor nearest you, mail the coupon below.
343 River	AK, INC. Road, Leeds, Mass.
Name	information about Chart-Pak.
Title	
Address	7
	Zone State order made with Curve-Line Tape

(Circle number 113 for more information)

A building at work



Fountain, 20-foot pool and 40-foot magnolia tree are center stage in main lobby scene. Open courtyard is precisely patterned with geometric grass plots. White rug sets off black leather chairs, blue sofa and marble topped tables. Fourteen-foot louvres geared to movements of sun are seen through window wall.



Supervisory DataCenter, custom-built by Minneapolis-Honeywell, provides simple push-button control of heating, ventilating and air conditioning of all areas in four-level, 293,673 square foot building. The dial-studded aluminum panel also gives instant warning of fire and controls operation of sprinkler system.

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clock which is set to anticipate the movements of the sun through the year 2100.

Inside the air-tight building, atmosphere is controlled from a single push-button panel.

Management workplace. Special emphasis is given to the working needs of Reynolds Metals' top executives. Reversing the traditional practice, the executive suite was placed on the ground level rather than the top floor or penthouse of the building. One purpose was to make executive offices more accessible to important visitors. And since the first-level ceilings are unusually high to accommodate the lobby and other special purpose rooms, the arrangement gives impressive height to the executive offices. Another advantage of the ground level executive suite is that each member of the executive staff has an outside office door opening onto 18,000 square feet of terrace that can be used for relaxation, entertaining visitors or outdoor conferences.

Aluminum uses. To construct its aluminum showplace, Reynolds used more than 1.25 million pounds of aluminum—for everything from its flagpole to the soap dishes in the restrooms. Aluminum yarn is used for draperies and carpeting.

Despite the diversity of its uses, aluminum was not used simply for its own sake, says the company. Instead, aluminum is used only where it provides a definite advantage, either functionally or aesthetically.

Many of the aluminum applications are standard products and all are available to designers and builders everywhere.

"Our new main office is an important sales tool," says President R. S. Reynolds, Jr. "As a showcase for the versatility, beauty and usefulness of aluminum, it offers specific applications of our products to our potential customers."

Flexibility. In a number of ways, Reynolds planned its building for future growth. Headquarters personnel totals only about 850 now, but the building is designed to comfortably house 1,000. Further, the building is designed so that another square module can be added to its west side, which will double ac-

calculagraph computes and prints ELAPSED TIME on job cards Automatically



Calculagraph will fit into your present system. It computes and prints ELAPSED TIME automatically on your job cards. It eliminates costly clerical time and additional equipment—assures 100% accuracy. Furthermore, the flexibility of Calculagraph makes it adaptable to any system.

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MANUFACTURERS OF ELAPSED TIME COMPUTERS FOR OVER 65 YEARS

(Circle number 109 for more information)

Looking for cost-cutting ideas?

The most significant cost-cutting methods developed in the last 12 months are offered in the all New 1958 Proceedings of 10th Annual Meeting of the Systems & Procedures Association of America

NCE A YEAR the Systems and Procedures Association of America holds a 3-day inter-nation meeting at which they review their most recent efforts in the control of administrative overhead. Each talk, each seminar, is carefully recorded, transcribed and edited for the benefit of members who are unable to attend. The final product is a 512-page hardbound and indexed volume of practical solutions to administrative problems.

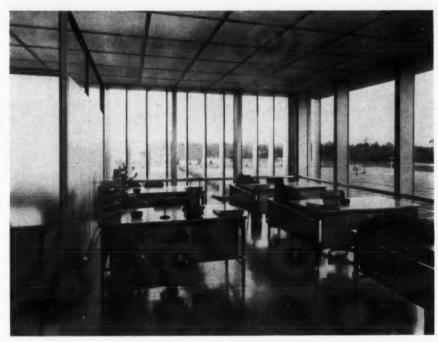
Again this year SPA has over-printed a very limited number of copies for non-member executives. We have obtained exactly 500 copies for distribution and sale to the readers of MANAGEMENT METHODS. Because we are so confident that this book can help you slash overhead and streamline the efficiency of your operations, we are able to make this unusual offer:

SEND NO MONEY, TAKE 10 DAYS TO EXAMINE IDEAS FOR MANAGE-MENT AT YOUR LEISURE. UNLESS YOU OBTAIN AT LEAST ONE COST-CUTTING IDEA, IN THAT PERIOD, RETURN THE BOOK WITHOUT OBLIGATION. OTHERWISE WE'LL BILL YOU FOR ONLY \$16.00.



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A building at work



Grey tinted glass walls and diffused fluorescent lighting reduce glare in all working areas. Clean styled aluminum desks and chairs reflect uncluttered, functional decor throughout building. Hauserman walls are easily rearranged.

commodations if company growth creates the need for more space.

In recognizing that flexibility is vital for a growing business, Reynolds has kept private offices to a minimum. Emphasis is on open work areas unbroken by structural columns. On all floors but the first-floor executive suite, the building is laid out on a precise five-foot-two-inch module; this means that the building's Hauserman movable aluminum office partitions can be arranged easily, quickly and economically to meet changing space needs of various departments.

Workplace efficiency. Reynolds Metals has taken the position that employee efficiency goes up when workers are provided with a workplace that is both efficient and pleasant. Both of these factors have been heavily planned for in the building.

For example, an entirely new line of all-aluminum office furniture was designed specifically for the building. It is the new "Italic" line by General Fireproofing, which is now generally available to the business public. The line was designed by GF in collaboration with Reynolds. The line features a desk with

minimum drawer space; GF researchers found that this kind of arrangement encourages clerical people to get things done quickly, rather than putting them away in soon-to-be-forgotten files buried in desk drawers.

To take full advantage of the surrounding landscape, the Reynolds building is designed so that every office is a room with a view. The building's glass walls are tinted to eliminate glare.

High fidelity music wafts through the building at intervals throughout the day, air conditioning is carefully maintained at a constant level year round, lighting is equivalent to natural daylight at all times and lively interior colors establish a wide-awake mood.

Many employee "extras" are included in the building, including a complete clinical laboratory. There are also a library, barber shop, four special dining rooms and two completely equipped kitchens.

Says a company executive: "Through careful planning, we are convinced that our new headquarters building gives us a new business tool that will help our company grow and profit."

80

MANAGEMENT METHODS

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COLUMBIA'S modern factory in Portland.



COLUMBIA'S TRACTORS speed the harvest in the Northwest.



THIS NATIONAL ACCOUNTING MACHINE is the key to successful operation at Columbia Tractor.



"Our National System

saves us \$4,100 a year...

returns 67% annually."-Columbia Tractor & Implement Co., Portland, Oregon

"To properly serve our sixty-four dealers and to expedite the handling dealers and to expedite the handling and analysis of dealer orders, we were prompted to install a National System," writes L. C. Lachance, Treasurer of Columbia Tractor & Implement Co. "Our National Sys-tem has allowed us to do just that to improve the accuracy, speed and flexibility of service to our dealers.

"Billing, accounts receivable and sales analysis must be accurate and up-to-date to properly serve our many dealers in Oregon, Washington, Idaho and Alaska. Our National Class 3100 Accounting Machine has

made it possible to speed up the handling and analysis of dealer orders. Its automatic features enable us to do several jobs simultaneously, without spending extra time and effort.

"Further, we now have increased our profits. Our National System saves us \$4,100 a year which represents a return of 67% annually on our investment."

Columbia Tractor & Implement Co.

THE NATIONAL CASH REGISTER COMPANY, Dayton 9, Ohio 1039 OFFICES IN 121 COUNTRIES . HELPING BUSINESS SAVE MONEY

(Circle number 149 for more information)

Your business, too, can benefit from the increased efficiency made possible by a National System. Nationals pay for themselves quickly, then continue to return a regular yearly profit. For complete information, call your nearby National representative today. He's listed in the yellow pages of your phone book.

ADDING MACHINES . CASH REGISTERS. NCR PAPER (NO CARBON REQUIRED)

Stenocords "PERFECT PLAYBACK"



Executives (and their secretaries) in thirty-nine countries are raving about Stenocord's "Perfect Playback"—a major breakthrough in modern magnetic dictation.

You can now make changes and improvements naturally, as you dictate—simply by saying it over the way you want it. No rewrites...your secretary transcribes far more swiftly and accurately, thanks to Stenocord's amazing magnetic clarity and correction-free dictation.

Once you try Stenocord's "Perfect Playback" you'll never go back to needle-type machines. Mail the coupon for the story.



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(Circle number 172 for more information)



Business electronics



Transistor brain monitors power plant

The first transistorized general purpose digital computer, that gives an automatic record of operating conditions without the necessity of reading dials or recorders, has been installed at the Louisiana Power & Light Co. plant near Monroe, La. See cut.

The power plant control room is devoid of most of the usual array of dials, gauges and recorders. Replacing them is a row of cabinets in which thousands of transistors along with other equipment silently perform millions of mathematical operations without the heat or light of conventional vacuum tubes.

Developed by Daystrom, Inc., the system's "solid state" construction provides high reliability and availability for continuous round-the-clock operation. It handles 350 points at a rate of five points. Outputs are flows, temperatures, pressures, heat rates and various electrical measurements. At any time the operator desires, the unit produces a written record of any of the measurements in the system.

Engineers at Louisiana Power & Light state that the Daystrom

system was not installed to save man power. Its primary purpose is to gain experience with the type of equipment that will be used in the coming completely automatic power plant—where computer controlled and supervised machines will take over start-up, operation and shutdown without any human supervision.



Fast computer input unit is introduced

Development of punched card input unit for the Burroughs E101 electronic computer has been announced by the ElectroData Division. Its speed is from 17 to 20 card columns per second, depending on the keypunch model used.

First deliveries of the compact device are scheduled for late this year. Its cost is \$5,500; rental is \$175 a month.

The new machine permits separate or intermixed data and instructions to be read into the desk-size digital computer from information in punched cards.

Cable-connected to the Burroughs E101 for simplified removal and hookup, the unit is used in conjunction with modi-



Instructions typed on control console of transistorized system are automatically translated into electronic orders for the computer with split-second speed.

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MANAGEMENT METHODS



Melvin C. Holm, Vice President and Treasurer, Carrier Corporation

"Moore forms helped us cut inventory"

CONTROL SPEEDS CARRIER MARKET FORECASTS, PLOTS PRODUCTION FOR ON-TIME SHIPMENTS

A new Planning and Production Control System gives Carrier Corporation a competitive edge by speeding shipment of its air conditioning units. Sales forecasts — the first stage of production planning — are faster and closer to the market picture with scientifically designed forms that organize and expedite paperwork. Determining material and manpower requirements follows the forecast.

Next a Parts Requirement Record, run off from punched cards and using an IBM 650 computer, schedules quantities of components and completion dates. Parts arrive on staggered schedule for uninterrupted work flow. The Record is a 4-part Moore continuous form, the fast-moving Speediflo. It is the company's control in print.

This kind of automated control keeps inventories to a

minimum and reduces warehouse footage. It has released capital for other uses and reduced seasonal loan requirements. Overproduction is less likely since forecasts are upto-date. Slowdowns caused by late or missing parts are minimized. Earlier deliveries can be promised — and met.

The Moore man helped in scientific design of procedures and forms tailored to this Automated Data Processing (ADP) system. For more examples of form-system improvement, write on your letterhead to the Moore office nearest you.



Moore Business Forms, Inc., Niagara Falls, N. Y., Denton, Tex., Emeryville, Calif. Over 300 offices and factories throughout U. S., Canada, Mexico, Caribbean, Central America.

Build control with

MOORE BUSINESS FORMS

(Circle number 147 for more information)

Large N. Y. Insurance Company Reports:

OXFORD PENDAFLEX® **Hanging Folders** cut file costs \$23,000!



Operating these file cabinets used to cost......\$35,000 Cost after installation of Oxford Pendaflex Hanging Folders....\$12,000

Take another look at your filing department . . . and then put Oxford Pendaflex to work for you! End high costs, slow paper-flow, misfiling delays.

Send today for free File Analysis Sheet and Oxford Pendaflex catalog.

YEARLY SAVING......\$23,000 Filing staff reduced

- Filing speed doubled
- All papers found in one look-up
- Single sort before filing
- Instant "keyboard" indexing
- Weeding simplified
- Equally effective in large, medium or small file departments



(Circle number 151 for more information)

fied versions of standard card keypunches. Positioning an automatic-to-manual switch allows the operator to choose whether data or instructions will be read directly from punched cards, or taken from the keypunch's keyboard. Instructions entered manually from the keypunch can be simultaneously punched into cards, permitting the pro-



Punched card input device handles 17 to 20 card columns per second.

grammer to prepare his program deck as he tests out the instructions

Initial control of the card unit comes from the E101's unique programming pinboards. Complete flexibility of card column selection is provided by the auxiliary program drum card.

With this new unit, the computer provides three ways of input-punched cards, paper tape and keyboard.

For more data on this input unit, circle number 288 on the Reader Service Card.

Data converter for low speed processing

Electronic Engineering Co. has designed an analog-punched tape data system that supplies data for any computer using an eight-level coded input. The punched tape may also be used as input for the Flexowriter or other automatic typewriters.

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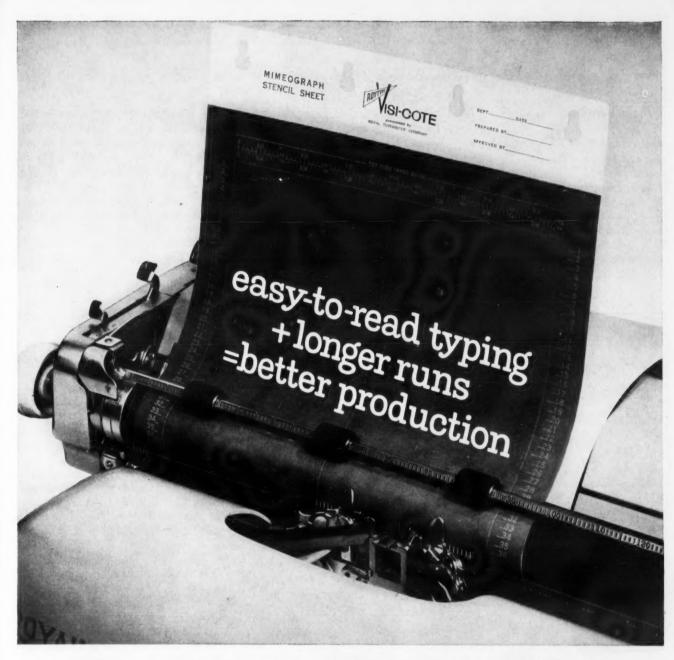
TI

TI

This new Model ZA-750 scans 20 data inputs at a rate of five per second. It also records timeof-day and pre-selected identification data at predetermined intervals.

The unit contains a plug patch-board that permits the program format to be changed quickly for use on many different problems.

For more details, circle number 285 on the Reader Service Card.



NEW ROYTYPE VISI-COTE STENCIL

The new Roytype VISI-COTE Stencil eliminates eyestrain. All typing stands out with remarkable clarity so that it can be read and proofread without squinting or holding it up to the light.

The Roytype VISI-COTE has extra strength for heavy duty. Sturdy plastic coating minimizes filling in type with wax—reduces time lost for cleaning of type. Your typists also save time making corrections, because no pliofilm sheet is needed.

The new wet-strength base tissue takes the place of the ordinary cushion sheet. Gives you longer runs and clearer, sharper copies.

Your Roytype Representative can show you how your office production can profit with VISI-COTE. Why not give him a call? And for a FREE TRIAL SAMPLE, just mail this coupon.

ROYTYPE, Royal McBee Corporation (M M) Westchester Avenue, Port Chester, N.Y.

Please have your ROYTYPE Representative bring me a Free Sample of your VISI-COTE Stencil.

Name ______ Title_____

Company____

Address

City____State____

ROYTYPE

ribbons, carbon papers, quality supplies
for all business machines
Products of Royal McBee Corp., World's Largest Manufacturer of Typewriters.

(Circle number 173 for more information)

have not been too successful with it.

We have found that it generally takes more than five years to get a preferred type of business underway. For example our Harvestore, a mechanical glass coated steel farm storage unit, took 10 years to get off dead-center. This product made a basic contribution to agriculture, the concept of sealed storage, but it took time to tell the story, gain

acceptance and realize a self-sustaining business.

■ Each division tends to think it will grow indefinitely, will gradually dominate the entire market, and therefore should be supplied with unlimited capital. Management must often think otherwise because of the variety of demands made on company resources. The decision as to where and how to

spend funds must therefore be based upon more than a composite of divisional requirements as they reflect specific growths. It is for that reason, for example, that at A. O. Smith top management's influence on the nature of research and development is now stronger than it may have been in the past.

What do we hope to accomplish with our long range plans? These are a few of the objectives:

1. The company has determined a minimum acceptable percentage figure as a return on investment. Our plans are designed to help us realize this figure.

2. Our planning is aimed to determine the proper balance of our four operating divisions.

3. Our planning is designed to help us discover additional growth industries and areas in the economy where our company can best function and make contributions.

4. Our planning is designed to help us arrive at a working balance with the divisions so that divisional requirements for men, machines and capital are in line with corporate objectives.

If our plans are correct, the A.O. Smith Corp. can reach its goals far down the road. As we do so, we know we will find still other distant goals for which plans can be made. In essence, this approach to long range planning reflects our recognition of the changing needs of a corporation in an ever-changing economy.



What happens when ... "1/2 and 1/4 people" are born?

Scene: An American Business office.

Systems and procedures people today recognize a growing phenomenon in the American business office. It is a problem of their own creation prompted by the desire for more efficient operation. It is the problem of "½ and ¼ people".

Action: A new costly computer is installed (Releasing many "1/2 and 1/4 people" from their usual work.)

Reaction: Old-Fashioned Management thinks in terms of firing these released "1/2 and 1/4 people" — to justify the

cost of installation. But - Modern Management sees the fallacy of this reactionary reasoning. They recognize that any more efficient machine or system can, and does, result in a net saving.

Suggestion: If you would like to create some "½ and ¼ people" in your company, investigate Traveletter®.

Here's what The Traveletter System does: 1. Eliminates preparation and mailing of expense

checks. Streamlines expense report procedure. Simplifies banking procedures. Substantiates travelers' reports for I.R.S.

Traveletter®

The Modern System for handling Sales Expenses . . . Since 1894

Descriptive Brochure on Request

"Traveletter" Reg. U.S. Pat Off.

TRAVELETTER CORPORATION . GREENWICH 4, CONNECTICUT

(Circle number 134 for more information)



ABOUT THE **AUTHOR**

Francis S. Cornell received his degree in metallurgical engineering and started his career as an investment banker. Originally the head of his own New York firm, he later toured Europe promoting the sale of U.S. securities.

Following a stint with the Army, he joined the A. O. Smith Corp. in 1945, to undertake special assignments. He was made executive vice president and a member of the board of directors in



IDEAS ARE THE DIFFERENCE

"A modern building calls for modern methods. In planning our new headquarters, we turned to MANAGEMENT METHODS for ideas on how to manage a business better."

LESLIE P. HEMRY

Senior Vice President, Operations American Mutual Liability Insurance Co. Wakefield, Mass.

BETWEEN PROFIT & LOSS

and nobody knows it better

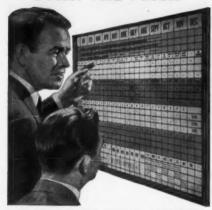
than the 50,000 top management readers of MANAGEMENT METHODS

That's why Management Methods devotes all of its editorial content to practical ideas that can be used — right now — to solve administrative problems. It's also why over 200 advertisers who have something practical to tell to top managers find M/M's pages to be action-producing* for practical solutions to administrative problems.

* If you would like details about M/M as an advertising medium for your firm, please write to: Sales Manager, Management Methods, 22 W. Putnam Avenue, Greenwich, Conn. No obligation, of course.



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BOARDMASTER VISUAL CONTROL

- ☆ Gives Graphic Picture Saves Time, Saves
- Money, Prevents Errors
 ☆ Simple to operate—Type or Write on Cards, Snap in Grooves
- the Ideal for Production, Traffic, Inventory, Scheduling, Sales, Etc.
- A Made of Metal. Compact and Attractive. Over 300,000 in Use

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GRAPHIC SYSTEMS

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(Circle number 128 for more information)



Do Your Storage Files "Stack Up" To STAXONSTEEL TRANSFER FILES?

You too can save money, valuable floor space and increase record storage efficiency with a STAXONSTEEL installation. This unique file builds its own steel framework as you stack them to any height, side by side, conserving all space. Sturdy fibre-board files with steel framework, modern metal drawer pulls, attractive Bankers Gray fade-proof finish—your best solution to record storage problems. In five stock sizes: Legal Letter, Check, Tab Card and Freight Bill.

2 for \$10.70



PREPAID Slightly Higher in the West

Write for Additional Information BANKERS BOX CO. Dept. MM-11 2607 North 25th Ave., Franklin Park, Illinois

(Circle number 105 for more information)

ACME VISIBLE

'Tis a wise man who keeps his INVENTORY under CONTROL

Knowing what you have, where it is and when you need more will give faster, more dependable results-and real savings of work, time and money.

Correctly planned inventory records do much more than show "stock on hand" - they list sources, vendors, maximum and minimum quantities, time required for delivery and dozens of other important facts that really CONTROL inventory.



Acme has created and installed hundreds of different Inventory Control Systems. Perhaps one would suit your requirements. If not, your Acme man will design a record to your specifications.

ACME VISIBLE RECORDS, INC., Crozet, Virginia

- ☐ Send us more information on Inventory Control Systems.
- ☐ We are interested in Acme Visible
- ☐ Have representative call. Date..... Time.

Company	 	
Attention	 	
Address	 	
City	Zone	State

(Circle number 100 for more information)

How to price

(Continued from page 40)

will be spent? Should advertising expenses be budgeted for the entire year, and thus be considered a horizontal cost or should they be variable and rise or fall with sales volume?

What is the labor situation? Is a union contract up for renewal? What will that do to production

What is the sales picture? If we increase volume, can we sell the additional units? At present prices?

Ultimately one man has to determine the selling price-whether he is the company president, the marketing executive, the sales manager, treasurer, or another member of the management team. But the facts on which he must base his decision have to come from many segments of the operation.

Under any business conditions, sound pricing policies are the key to optimum profits. Yet many companies are content to play "follow the leader," letting their competitor's pricing action be the decisive factor in their own policies.

Although in boom times this method obviously can yield profits -the post-World War II business history is proof of that-it does not vield the greatest profits possible.

And, during periods of recession or depression, sound pricing policies are essential. For it is then that they can spell the difference between business success or business failure. The companies that not only weather adverse business conditions, but grow and prosper, are the companies whose pricing policies are based on facts used decisively and with understanding.



ABOUT THE **AUTHOR**

Jules E. Anderson's techniques in management consulting are based on 27 years as a financial, administrative and marketing executive. He has served in top posts with top firms. As head of Anderson & Gassenheimer he specializes in pricing, budgeting, profit planning, tax management, and other areas of money management and planning.



By Using the Weber Touch-Stencil System

All Shipping Cartons at Gillette are Addressed by One Man!

Great savings result. Savings in manpower vitally needed in more productive positions. Savings in time, particularly during peak shipping periods, enabling customers throughout the United States to receive faster and more efficient service. Savings in costly addressing errors.

At Gillette Safety Razor Company, a Weber label-size stencil is pre-tabbed over the addressee section on Gillette's customer invoice forms. The invoices, with stencils attached, are then fed through the tabulating machine which cuts the stencil and addresses the invoice in one operation. The Tab-On stencil and invoice are then sent to the Shipping Department, where the stencil is quickly attached to a sturdy Web-O-Print hand-printer — ready to address an indefinite number of cartons just by touching them.

No order is completed until it's been shipped, and nothing gets shipped until it's been addressed. Whatever paperwork method or material handling procedure you now use, a Weber System can be tailored to your requirements.

Find out more about how you can save time and money in shipping the same as Gillette has. Send coupon for your free copy of our 16-page brochure which outlines the 7 famous Weber marking and addressing systems now being used by the leaders in every industry.



MARKING SYSTEMS

Division of Weber Addressing Machine Co., Inc. Mount Prospect, Illinois

Creators of Systems and Equipment for Addressing and Marking

Stencils and invoice forms prepared together on automatic tab equipment.

NEW 16-PAGE SYSTEMS BOOKLET

Just mail the coupon.

No charge.

WEBER MARKING SYSTEMS Dept. 19-K Mount Prospect, Illinois			
Name		7	
Position			
Company		and the state of t	
Address			
City	Zone	State	

(Circle number 179 for more information)

What they learned

(Continued from page 44)

this special effort to broaden our business base. The contest is definitely producing results.

Q. What other actions have you taken as a result of the recession?

A. We have set up a product cost evaluation program. The recession gave us a startling revelation—that we have long been carrying a great variety of items that we thought were profitable but which we now have found are not. Some are only marginal and some are actually loss items, in view of warehouse space, sales time, purchasing, advertising and so on.

Q. Is your thought to eliminate the marginal and loss items?

A. If we can do so without sacrificing service to our customers. A drugstore carries newspapers to attract customers to buy shaving cream and razor blades. We don't want to eliminate the service items that help us attract and satisfy our customers. On the other hand, if we can circumvent certain items which have little or no profit or service value, we can free up capital to expand in certain lines which are more profitable.

Q. How are you handling this product analysis program?

A. It is being steered for us by a consultant, a former professor of marketing at Marquette University. He is establishing the pattern for the program and showing us how to handle the methods and procedures involved in the analysis so that we can later continue the program on our own.

Q. Mr. Jorden, what is a sales manager's biggest job?

A. Certainly one of the biggest is to properly evaluate your people. That's a tough job. You can't evaluate a man strictly on the basis of his sales record. Fortunately, I am able to travel quite a bit with our men. Being right there with a man on the job is the best way to evaluate his performance. Another way is to find out what his customers think of him. You can detect a certain camarad-

erie between the salesman and purchaser when the salesman is doing a good job.

Q. If this camaraderie does not exist, then is something wrong?

A. You have to do a little exploring behind the scenes to find out. Perhaps the salesman has some small fault that irritates the customer. I can give you an example. One of our men had been unsuccessful in selling a certain account - an account that had a very good potential. I called on this customer with the salesman. In the middle of a very satisfactory interview, our salesman injected the question, "How's business?" This immediately set up a negative attitude on the part of the customer who replied, "Terrible!" At that, our salesman laughed and said, "Well, that isn't any particular hardship on me, but it certainly must be tough on my competitor who is getting your business." At that point, of course, rockets went off. Later, I asked our salesman how many times he had mentioned his competitor to the customer. The salesman's reply was that he had done so quite often, since he knew that the customer and the competing salesman were good friends.

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Well, obviously, that customer hated to see our salesman come in. And our salesman wasn't doing himself any good with his constant references to his competitor. The point is that the salesman was making a mistake that only a third party could point out to him. In one sense, a sales manager should serve as a counselor to his men.



V. C. McQuiddy, Jr.
Sales Manager, Textile Division
United States Rubber Co.
New York City

RECESSION LESSON: "Our biggest move was to upgrade our entire product line. We added features that did not exist before."

Q. Mr. McQuiddy, as sales manager of textile products, selling items to the textile industry, what lesson have you learned from the 1958 recession?

A. One thing we learned is the value of service to the customer as a means of maintaining or strengthen-

ing our share of the market. In our case, I'm not talking about service in terms of fast delivery, because we have previously had that. I am referring to technical service to the customer. In the various commodity departments within our Textile Division (asbestos textiles, indus-

re-assigned men for bigger business potential."

trial fabrics, upholstery, yarn, etc.) we realigned our sales forces to include technical men who can advise our customers on proper usage of our materials in their own products. This kind of service helps the customer to keep his costs down or to upgrade his end products—increase their sales appeal. We are in a highly competitive field where price is important, but we have found that technical service is a more important tool than simply having the cheapest price.

Q. What other steps did you take to bolster sales during the recessionary period?

A. Our biggest move was to upgrade our entire product line. We invested heavily in research to find new applications for our products and to develop new products. We shifted to a higher bracket—raised the quality of our merchandise so that it included features that did not exist before. Our improved merchandise costs more, of course, but we have found that better quality combined with technical service to the customer, helping him to make best use of our material, has been successful.

Q. You mention re-aligning your sales force to include technical specialists. Were any other sales organizational changes made?

A. Yes, we re-assigned men to place them where the greatest volume of potential business lies. And in many cases, we bridged our separated sales forces together in order to get the most from our manpower. For example, we considered the fact that a man in one of our commodity sections might be in Buffalo today, and a man from another section might be there tomorrow, calling on an entirely different trade. By combining the two departments into one and training the salesmen to sell all products, we found that we could get about twice the coverage out of our men. Although this means that our men are selling a broader range of our products to different types of industries, bear in mind that the salesmen are backed up by technical specialists who can be called on to help solve a customer's problems.

So, in summary, we added technical specialists to the sales force, combined commodity departments and trained salesmen to sell a broader range of products, re-assigned men to cover the greatest volume of potential business, and made it possible for our salesmen to reach their customers and prospects more frequently, since travel time was reduced.

Q. Mr. McQuiddy, what do you think is the best way to motivate a salesman to sell?

A. You motivate a salesman through personal contact with him—by taking a personal interest in the man, his family, and their well-being. It is also important to give the man a job that is clearly defined so he knows exactly what is expected of him and how he is doing. We give our men the security of a flat salary, and also an incentive plan.

Q. Is this bonus the equivalent of a commission plan?

A. It is based on performance, but it is paid in a lump sum at the end of the year, rather than on a monthly basis or as a commission for individual sales.

Q. What is the advantage of that?



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A. The advantage is that the salesman can live easily and well on his base salary and save his incentive pay. If the incentives were paid on a month-to-month basis, there probably wouldn't be much left at the end of the year. Under our plan, I would say that all of our men are able to save or invest most of their incentive income. We believe this has a positive effect on a salesman.

Q. Mr. McQuiddy, how does a sales manager such as yourself go about evaluating his own performance?

A. I evaluate my performance on the basis of how I get along with my men. I try to figure out what they think of me, whether their respect for me is going up or down. I evaluate my performance on the basis of what help I have been able to give to the salesman. This is reflected in their own sales records.

Q. What do you consider to be your most important job as a sales manager?

A. My chief job is to provide leadership, direction and motivation for the salesmen. I feel that if I can maintain their enthusiasm and keep them working effectively, the problem of costs and all the other things that go into my job will tend to take care of themselves.



Dick F. Sable
General Sales Manager
Darling Valve & Manufacturing Co.
Dallas, Tex.

RECESSION LESSON: "We moved sales managers into selling capacities and turned the office work over to secretaries and clerks."

Q. Mr. Sable, what selling actions did your company take to counteract the 1958 recessionary period?

A. One thing we did was to move more heavily into foreign markets. That step has helped us pull through the recession without too much drop in business.

Q. Had you been in the foreign market before?

A. Yes, but the recession stimulated us to probe and develop that end of our business. Up to that time, I had been handling foreign sales myself, pretty much as a left-handed operation. When we realized the value of developing foreign sales, we added an extra man to the sales organization to develop foreign business, specifically in South America.

Q. Did you beef up your sales organization in any other way?

A. Yes, we did, but not by adding people. We did it by moving our regional managers into actual selling capacities. We saw the need for more sales power in the field, so our managers began selling more than they had ever done before. We found that with their titles and their authority to make decisions on the spot, they could do a tremendous job working directly with customers.

We have three regional managers. By moving them directly into sales work, we actually got three more-salesmen without expanding our sales force. In addition, I kept my-self free to work in the field, mostly with our big customers.

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MANAGEMENT METHODS

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Q. With the sales managers moved into actual selling slots, what happened to the management phases of the sales effort?

A. A sales manager can mire himself down as much as he wants to or as little as he wants to and still carry on his job. At least that has been my experience in our company. We found that we could pull out and work in the field without neglecting our really important management duties. Actually, I feel a sales manager does a better job-a more important job-if he is out in the field working with his men instead of miring himself down in his office doing work that secretaries and clerks can do just as well or better. Q. What other lessons did you learn

A. The recession brought into sharp focus for us the fact that our compensation program should be redesigned to include consideration for the feast and famine situation in some territories.

from the recession?

Sometimes we need our strongest men in our weakest territories. We have been working hard to develop a compensation plan that will compensate men for their work even though their work may not be reflected in actual purchase orders, through no fault of their own.

Q. Would you explain that a little further?

A. In our company, a big order sold in one territory directly affects the salesmen in other territories. Suppose we accept a \$1 million order in Territory A. This might mean that we have to turn down a \$200,000 piece of business that the salesman in Territory B is able to book simply because our production capacity is filled for the moment. Should Salesman B be penalized for this? Obviously not. Our new compensation plan will be designed so that everyone will benefit when a big order is sold. As I said before, we hope to eliminate feast and famine conditions for our salesmen even though their individual sales records show a peak and valley picture.

As a result we will be able to justify keeping good men in the weaker territories where they are needed.

Q. Because of the nature of your business, you apparently cannot evaluate a salesman simply on the basis of his sales record. How do you evaluate salesmen?

A. I think any astute sales executive can tell whether a man is doing a good job by simply making two or three calls with the fellow. At least that is a big part of the answer. The other part comes from your customers. If you get close to your customers, they will give you clues as to whether the salesman is doing a good job. They will let you know about any mistake he may be making. You can then get together with the man, counsel him on his errors, and help him overcome them.

Q. What method do you use to select good salesmen in the first place?

A. Although we need technically trained salesmen, we find that it is better to start with a qualified salesman and give him the technical know-how, rather than to hire engineers and try to make them into salesmen.

We get leads from many sources, including leads from our own people. We also use employment agencies. When I interview a man it may take anywhere from two to five hours. I usually give him an examination-an examination that I worked up dealing with the nomenclature of our business. It tells me how much he knows about our field.

Q. Mr. Sable, what is the biggest single problem that you must contend with in your job?

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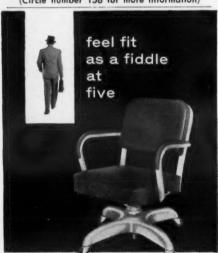
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A. The biggest single problem that I have as a sales manager is to keep my men from becoming complacent or failing to advance as the industry moves forward. That is one of the great failings of all salesmen, including myself—that you get to the point where you think you can rest on your record and stop pushing.

That is why I feel that our compensation program is so vital. It must offer the right stimulus for our men but without paying them in such a way that they fail to charge their brains.

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There is no doubt that motivating salesmen is the sales manager's biggest job.



Thomas R. Fuller General Sales Manager Thomas Industries, Inc. Louisville, Ky.

RECESSION LESSON: "A company that let's costs go out of line in good times has a tendency to panic in bad times."

Q. Mr. Fuller, as general sales manager of your company, what lesson have you learned from the 1958 recession?

A. The slow-down hammered home the value of planning — planned product development, planned promotions, planned cost control, even planned optimism.

Take product development, for example. If you don't have a continuing program during good times, you are very likely to fall far behind in the bad times.

Take cost control as another example. The recession showed the absolute necessity of continuous, planned sales cost control. A company that lets costs go out of line in good times has a tendency to panic in bad times, and start slashing at costs in a dangerous way. The tendency is to make expedient decisions that are not sound from a long range point of view. When business falls off, non-essential sales costs should be cut in a planned way — not slashed.

Q. But when everyone else seems to be slashing costs, isn't there a temptation to tell yourself that you ought to be doing the same?

A. The temptation is there and that is why you have to maintain an attitude of optimism - planned optimism and faith in your markets. I say a company management owes that to its customers. If you just stand there wringing your hands, complaining that things are falling apart and wondering what to do, you aren't doing yourself or your customers any good. If you look for ways to stimulate business up and down the line you help yourself and you carry your customers right along with you. They respect you for it.

Q. Despite what you say about continuous sales cost control, don't you think a recession period offers a special opportunity to squeeze out nonessential costs?

A. Yes, a business slow-down makes better people out of a lot of us. The climate for policing costs is certainly much better — and that holds for manufacturing and other areas as well as sales. In a period of business slow-down it is much easier to motivate people up and down the line

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to cooperate with management in the job of squeezing out waste. When the bad period is over, then it is management's job to prevent unnecessary costs from snowballing agair.

Q. Mr. Fuller, what do you feel is the biggest problem a sales manager faces?

A. To motivate his men to achieve a predetermined goal. That means both selling the expected volume and staying within the sales cost budget. In our company, as in most other well-managed businesses, everything hinges on the salesman achieving his sales goal. Profits depend on it, production scheduling depends on it, and most other budgets depend on it. So motivating the salesman is the sales manager's biggest job.

Q. How do you motivate salesmen? A. First, by establishing planned objectives. Second, by your remuneration program—in the shape of money, prizes, awards for a job well done.

Q. You mention prizes. Does your company use sales contests?

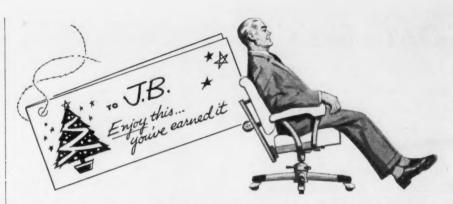
A. Yes, as part of our planned promotions. These may occur two or three times a year. Each promotion and each contest is zeroed in on a specific objective—volume-wise. We don't use these things just as a general stimulant, to pep people up. Our special promotions, including the contests, are usually planned six months or a year in advance. The company president takes a direct interest in this planning.

Q. You mention these positive stimulants for a salesman. What about negative stimulants? For example, can you frighten a salesman into selling?

A. I suppose that is possible, but it would be a very bad thing. It would be in discord with any positive sales program. I come back to my point about planned optimism. If you take the point of view that business is growing, it would be a mistake to throw in a negative factor of any kind—particularly a negative method of motivating salesmen. If you have the right men, you don't have to worry about frightening them into selling.

Q. How does your company select the right men for sales posts?

A. In addition to the usual methods



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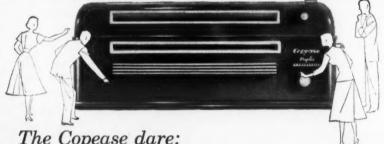
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of interviewing and checking references, we use a self-administered test for sales applicants. Now, many people say that tests are not a good method of selecting salesmen. Our experience is that the test we use is helpful as part of the selection process-particularly since we have used the same test for 10 years and have plotted the success of our experience with it.

Q. Don't you think an intelligent sales applicant can figure out the favorable and expedient answers to a test?

A. No. A man would have to be extremely skilled to beat the tests we use. In fact, before we give a man a test, we tell him that, for his own good as well as the company's, it would be a mistake for him to try to second-guess the test. The results show whether he has been honest with himself and us.

O. What do you feel is the most common reason why some men fail as salesmen even after it has been determined they possess the necessary attributes for selling?

A. A chief factor is whether the fellow is dedicated to sales. He may just drift into selling because he possesses the natural attributes. But it is unlikely that he will do an outstanding job unless he is dedicated to selling. That's why some unlikely prospects turn out to be the best salesmen. They make up for their lack of natural ability because they are dedicated to sales - they are good competitors and their chief objective is to be the best salesman in the company.

Q. Is there some way to test a man for this dedication to selling?

A. No, you have to pull it out of the application form, out of the professional evaluation of his test, out of the interview with his wife-out of the whole selection process.

Q. Can anyone be a good salesman if he possesses this dedication to selling?

A. No, selling is an art requiring talents that many people do not possess. Personality, perseverance, drive, imagination. Dedication to selling can make up for some shortcomings in selling talent, but both the inner feeling toward the job and the talent to do the job are necessary.

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(Continued from page 46)

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Answer: Long-term self-interest. Naturally, Hughes wouldn't mind turning up a genius who'd make the company \$1 million, but the firm is more than willing to settle for manpower capable of carrying forward already-initiated proj-

Says Joseph Cryden of the advanced studies staff: "When we realized that technical education was falling behind industry's needs, we also recognized that this would react adversely on us. So we're trying to do something about it.'

Adds Dr. Spurr: "A very effective intangible force is the fact that a lot of us have been teachers and get enormous satisfaction out of contacts with educators and educational problems."

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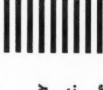
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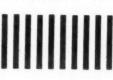
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